



**LOMPOC UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

LOMPOC UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Lompoc Unified School District
Lompoc, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lompoc 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lompoc Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, other postemployment benefit information (OPEB) funding progress, District proportionate share of net pension liability, and District contributions on pages 62 through 65, respectively, 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 Lompoc Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary 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 December 10, 2015, on our consideration of the Lompoc Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lompoc Unified School District's internal control over financial reporting and compliance.

VAORZNEK, TRING, Day + CO, LLP

Rancho Cucamonga, California
December 10, 2015

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TREVOR McDONALD, SUPERINTENDENT

This section of Lompoc Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015 with comparative information for June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Lompoc Unified School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Lompoc Unified School District.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities. The District reports all of its services in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- Overall at the conclusion of the 2014-2015 school year, the District's General Fund reserves were \$16,250,645.
- Total General Fund revenues and other sources for 2014-2015 were \$90,762,133.
- Total General Fund expenditures and other uses for 2014-2015 were \$92,414,986.
- The cost of instructional-related activities and pupil services in the General Fund were \$70,957,854.
- The funded Average Daily Attendance (ADA) for the District in 2014-2015 was 9,282.82 which was higher than originally budgeted.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$3.3 million for the fiscal year ended June 30, 2015. Of this amount, (\$60.9) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	2014 as restated
Assets		
Current and other assets	\$ 27,278,122	\$ 28,828,553
Capital assets	86,012,198	86,406,499
Total Assets	113,290,320	115,235,052
Deferred Outflows of Resources	7,108,048	4,623,295
Liabilities		
Current liabilities	4,061,351	3,283,095
Long-term obligations	32,599,011	33,171,754
Aggregate net pension liability	63,371,634	78,346,775
Total Liabilities	100,031,996	114,801,624
Deferred Inflows of Resources	17,053,325	-
Net Position		
Net investment in capital assets	57,471,599	53,221,177
Restricted	6,740,738	17,193,113
Unrestricted	(60,899,290)	(65,357,567)
Total Net Position	\$ 3,313,047	\$ 5,056,723

The (\$60.9) million in unrestricted net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position decreased by 6.8 percent (\$60.9) million compared to (\$65.4) million.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 1,245,794	\$ 675,122
Operating grants and contributions	12,285,671	14,328,041
General revenues:		
Federal and State aid not restricted	58,199,297	49,692,860
Property taxes	21,401,980	19,527,375
Other general revenues	8,061,538	2,127,459
Total Revenues	101,194,280	86,350,857
Expenses		
Instruction-related	68,726,694	59,616,274
Pupil services	10,632,968	9,878,349
Administration	5,723,174	5,459,878
Plant services	9,944,702	9,342,578
Other	7,910,418	5,626,099
Total Expenses	102,937,956	89,923,178
Change in Net Position	\$ (1,743,676)	\$ (3,572,321)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$102.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$21.4 million because the cost was paid by those who benefited from the programs (\$1.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$12.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$66.3 million in Federal and State funds and other revenues, like interest and general entitlements.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction and instruction-related activities, pupil services, administration, plant services, and all other functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost of Services	
	2015	2014
Instruction	\$ 53,510,886	\$ 45,073,366
Instruction-related activities	7,429,171	5,759,237
Pupil services	6,928,012	5,886,876
Administration	5,261,302	4,989,416
Plant services	9,903,511	8,890,744
All other	6,373,609	4,320,376
Total	\$ 89,406,491	\$ 74,920,015

The increase in total cost of services was primarily due to 4.25 percent salary increase for all employee groups which also resulted in increase in benefits costs as well. The District increased services and expenses in accordance with Local Control Accountability Plan (LCAP) and Local Control Funding Formula (LCFF) supplemental and concentration funds, and the State Common Core State Standard implementation.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$23.6 million, which is a decrease of \$2.3 million from last year. (Table 4)

Table 4

	Balances and Activity			
	June 30, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 17,903,498	\$ 90,762,133	\$ 92,414,986	\$ 16,250,645
Bond Interest and Redemption Fund	2,365,636	14,712,282	14,164,345	2,913,573
Cafeteria Fund	1,967,687	4,594,650	5,070,526	1,491,811
Building Fund	543,057	2,006	106,257	438,806
Capital Facilities Fund	1,756,535	568,021	454,447	1,870,109
Special Reserve Fund for Capital Outlay Projects	1,388,552	809,881	1,576,904	621,529
Total	\$ 25,924,965	\$ 111,448,973	\$ 113,787,465	\$ 23,586,473

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The primary reasons for these increases/decreases are:

- a. The General Fund is the district's principal operating fund. The fund balance in the General Fund decreased from \$17.9 million to \$16.2 million primarily due to the 4.25 percent negotiated and awarded salary raises for all employees in 2014-2015.
- b. The Bond Interest and Redemption Fund is County controlled and dependent on the structure of the debt.
- c. The Cafeteria Fund decrease in fund balance is due to a combination of the increase of 4.25 percent negotiated and awarded salary raises for all employees in 2014-2015, and increases in capital outlay expenses in relation to Cafeteria upgrades.
- d. The Building Fund (Measure N) funds decreased to pay for outstanding fees due to the Division of the State Architect (DSA).
- e. The Capital Facilities Fund reflects minimal increase due to the continued construction slowdown within the District.
- f. The Special Reserve Fund for Capital Outlay Projects funds were used to complete the Compressed Natural Gas (CNG) station and Central Kitchen roofing.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 15, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 62.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$86.0 million in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$0.4 million, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in process	\$ 11,103,222	\$ 9,789,404
Land improvements	7,041,658	7,027,817
Buildings and improvements	64,820,640	66,295,669
Furniture and equipment	3,046,678	3,293,609
Total	\$ 86,012,198	\$ 86,406,499

We provide more detailed information regarding capital assets in Note 4 of the financial statements.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Long-Term Obligations

At the end of this year, the District had \$32.6 million in long-term obligations versus \$33.2 million last year. The obligations consisted of the following:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds - net (financed with property taxes)	\$ 31,232,790	\$ 31,865,976
Capital lease obligations	20,290	53,815
Early retirement incentives	155,397	205,472
Other postemployment benefits	544,196	378,177
Accumulated vacation - net	646,338	668,314
Total	\$ 32,599,011	\$ 33,171,754

We provide more detailed information regarding long-term obligations in Note 8 of the financial statements.

The State limits the amount of general obligation debt that Districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below statutorily imposed limit.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$63,371,633, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District has, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

- Successful update of the District's Local Control Accountability Plan (LCAP) and integration of the Local Control Funding Formula (LCFF).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria:

Revenues:

- The Local Control Funding Formula (LCFF) calculations including a 1.02 percent COLA plus a GAP funding rate of 51.52 percent increase revenue, and the District expects increase enrollment.
- Federal revenues will maintain with the 2013-2014 funding levels.
- Other State revenues will increase due to one-time funding of \$528 per ADA.
- Other Local revenues will decrease due to revenue not being budgeted until received.

LOMPOC UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Expenditures:

- Certificated staffing will increase due to increase enrollment projections.
- Classified staffing will increase due to the hiring of additional Maintenance and Operations staff as per Local Control Accountability Plan (LCAP).
- Benefits will increase due to increase of Health Insurance, STRS, and PERS rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 about this report or need any additional financial information, contact Irma Manzo, Interim Assistant Superintendent, Business Services, at Lompoc Unified School District, 1301 North "A" Street, P.O. Box 8000, Lompoc, California, 93438-8000, or e-mail at imanzo@lUSD.org.

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	\$ 21,502,920
Receivables	5,564,848
Prepaid expenses	87,131
Stores inventories	123,223
Capital Assets	
Land and construction in process	11,103,222
Other capital assets	144,292,584
Less: Accumulated depreciation	(69,383,608)
Total Capital Assets	<u>86,012,198</u>
Total Assets	<u><u>113,290,320</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,052,193
Current year pension contribution	5,240,595
Net change in proportionate share of net pension liability	815,260
Total Deferred Outflows of Resources	<u><u>7,108,048</u></u>
LIABILITIES	
Accounts payable	3,622,459
Accrued interest payable	369,702
Unearned revenue	69,190
Current portion of long-term obligations other than pensions	2,150,583
Noncurrent portion of long-term obligations other than pensions	30,448,428
Total Long-Term Obligations	<u>32,599,011</u>
Aggregate net pension liability	<u>63,371,634</u>
Total Liabilities	<u><u>100,031,996</u></u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	<u>17,053,325</u>
NET POSITION	
Net investment in capital assets	57,471,599
Restricted for:	
Debt service	2,543,871
Capital projects	1,870,109
Educational programs	1,070,716
Other activities	1,256,042
Unrestricted	(60,899,290)
Total Net Position	<u><u>\$ 3,313,047</u></u>

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

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction	\$ 59,928,868	\$ 453,746	\$ 5,964,236	\$ (53,510,886)
Instruction-related activities:				
Supervision of instruction	2,110,175	9,092	1,061,069	(1,040,014)
Instructional library, media, and technology	1,000,051	-	84,270	(915,781)
School site administration	5,687,600	751	213,473	(5,473,376)
Pupil services:				
Home-to-school transportation	1,950,156	-	180,950	(1,769,206)
Food services	3,290,625	347,484	2,338,181	(604,960)
All other pupil services	5,392,187	72,257	766,084	(4,553,846)
Administration:				
Data processing	1,438,473	-	2,919	(1,435,554)
All other administration	4,284,701	35,390	423,563	(3,825,748)
Plant services	9,944,702	5,238	35,953	(9,903,511)
Ancillary services	1,223,879	-	-	(1,223,879)
Interest on long-term obligations	1,655,644	-	-	(1,655,644)
Other outgo	5,030,895	321,836	1,214,973	(3,494,086)
Total Governmental Activities	102,937,956	1,245,794	12,285,671	(89,406,491)
General revenues and subventions:				
				17,433,719
				3,870,199
				98,062
				58,199,297
				94,791
				529,915
				7,436,832
			Subtotal, General Revenues	87,662,815
			Change in Net Position	(1,743,676)
			Net Position - Beginning, as restated	5,056,723
			Net Position - Ending	\$ 3,313,047

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 14,568,070	\$ 2,910,800	\$ 4,024,050	\$ 21,502,920
Receivables	4,872,552	2,773	689,523	5,564,848
Due from other funds	184,955	-	17,904	202,859
Prepaid expenditures	87,131	-	-	87,131
Stores inventories	77,599	-	45,624	123,223
Total Assets	\$ 19,790,307	\$ 2,913,573	\$ 4,777,101	\$ 27,480,981
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,452,568	\$ -	\$ 169,891	\$ 3,622,459
Due to other funds	17,904	-	184,955	202,859
Unearned revenue	69,190	-	-	69,190
Total Liabilities	3,539,662	-	354,846	3,894,508
Fund Balances:				
Nonspendable	169,730	-	50,624	220,354
Restricted	1,070,716	2,913,573	3,564,957	7,549,246
Assigned	9,592,974	-	806,674	10,399,648
Unassigned	5,417,225	-	-	5,417,225
Total Fund Balances	16,250,645	2,913,573	4,422,255	23,586,473
Total Liabilities and Fund Balances	\$ 19,790,307	\$ 2,913,573	\$ 4,777,101	\$ 27,480,981

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

LOMPOC UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 23,586,473
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 as assets in governmental funds.		
The cost of capital assets is	\$ 155,395,806	
Accumulated depreciation is	<u>(69,383,608)</u>	
Net Capital Assets		86,012,198
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included with governmental activities		1,052,193
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		5,240,595
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		815,260
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(369,702)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(17,053,325)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(63,371,634)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	(27,720,971)	
Unamortized premium	(2,290,337)	
Capital leases payable	(20,290)	
Early retirement incentives	(155,397)	
Other postemployment benefits (OPEB)	(544,196)	
Compensated absences (vacations)	(646,338)	
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:	<u>(1,221,482)</u>	
Total Long-Term Obligations		(32,599,011)
Total Net Position - Governmental Activities		<u><u>\$ 3,313,047</u></u>

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 72,012,344	\$ -	\$ -	\$ 72,012,344
Federal sources	6,930,356	-	2,735,085	9,665,441
Other State sources	8,411,299	45,841	222,650	8,679,790
Other local sources	3,408,134	3,828,304	2,516,823	9,753,261
Total Revenues	<u>90,762,133</u>	<u>3,874,145</u>	<u>5,474,558</u>	<u>100,110,836</u>
EXPENDITURES				
Current				
Instruction	55,221,452	-	-	55,221,452
Instruction-related activities:				
Supervision of instruction	2,078,000	-	-	2,078,000
Instructional library, media and technology	1,008,807	-	-	1,008,807
School site administration	5,606,404	-	-	5,606,404
Pupil services:				
Home-to-school transportation	1,969,180	-	-	1,969,180
Food services	-	-	3,327,774	3,327,774
All other pupil services	5,074,011	-	-	5,074,011
Administration:				
Data processing	1,459,047	-	-	1,459,047
All other administration	4,129,859	-	200,477	4,330,336
Plant services	8,655,522	-	232,244	8,887,766
Facility acquisition and construction	920,837	-	3,447,639	4,368,476
Ancillary services	1,202,827	-	-	1,202,827
Other outgo	4,530,895	-	-	4,530,895
Debt service				
Principal	33,525	2,165,000	-	2,198,525
Interest and other	24,620	1,377,152	-	1,401,772
Total Expenditures	<u>91,914,986</u>	<u>3,542,152</u>	<u>7,208,134</u>	<u>102,665,272</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(1,152,853)</u>	<u>331,993</u>	<u>(1,733,576)</u>	<u>(2,554,436)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	500,000	500,000
Other sources - proceeds from sale of bonds	-	9,920,000	-	9,920,000
Other sources - premium from issuance of bonds	-	918,137	-	918,137
Transfers out	(500,000)	-	-	(500,000)
Other uses - payment to bond escrow agent	-	(10,622,193)	-	(10,622,193)
Net Financing Sources (Uses)	<u>(500,000)</u>	<u>215,944</u>	<u>500,000</u>	<u>215,944</u>
NET CHANGE IN FUND BALANCES	<u>(1,652,853)</u>	<u>547,937</u>	<u>(1,233,576)</u>	<u>(2,338,492)</u>
Fund Balance - Beginning	<u>17,903,498</u>	<u>2,365,636</u>	<u>5,655,831</u>	<u>25,924,965</u>
Fund Balance - Ending	<u>\$ 16,250,645</u>	<u>\$ 2,913,573</u>	<u>\$ 4,422,255</u>	<u>\$ 23,586,473</u>

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

LOMPOC UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		\$ (2,338,492)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	\$ (5,034,526)	
Capital outlays	<u>4,640,225</u>	
Net Expense Adjustment		(394,301)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance	(918,137)	
Deferred charge on refunding	<u>1,052,193</u>	
Combined Adjustment		134,056
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(166,019)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives paid were more than amount added by \$50,075. Vacation used was more than the amounts earned by \$21,976.		72,051
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(645,624)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year, the District issued general obligation bonds.		(9,920,000)

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

LOMPOC UNIFIED SCHOOL DISTRICT

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

Repayment of debt obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 11,735,000
Capital lease obligation	33,525

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment includes amortization of debt premium.

504,260

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by \$9,805, and second, \$767,937 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(758,132)

Change in Net Position of Governmental Activities

\$ (1,743,676)

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

LOMPOC UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Agency Funds
ASSETS	
Deposits and investments	\$ 574,246
Stores inventories	4,470
Total Assets	\$ 578,716
LIABILITIES	
Accounts payable	\$ 8,427
Due to student groups	570,289
Total Liabilities	\$ 578,716

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lompoc Unified School District (the District) was unified on July 1, 1960, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program, and an independent study program.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$2,896,198, \$2,739,138, \$1,829,640, and \$2,093,578, respectively.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. 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 the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report 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.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

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

The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in 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, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the Kern County investment pool are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental and agency funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and as expenses in the fiduciary fund type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated, if applicable.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$6,740,738 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental columns of the Statement of Activities.

Estimates

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Budgetary Data

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

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Barbara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies 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 disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$73,723,480. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflow of resources, as the information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

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

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 21,502,920
Fiduciary funds	574,246
Total Deposits and Investments	<u>\$ 22,077,166</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 494,837
Cash in revolving	10,000
Investments	21,572,329
Total Deposits and Investments	<u>\$ 22,077,166</u>

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Santa Barbara County Treasury pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$21,572,329 with the Santa Barbara County Investment Pool with a fair value of approximately \$21,584,960. The average weighted maturity for this pool was 448 days.

Credit Risk

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 investment with the Santa Barbara County Treasury Pool is currently not rated, nor is required to be rated.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$32,085 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by pledging of financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 1,549,466	\$ -	\$ 427,302	\$ 1,976,768
State Government				
LCFF apportionment	1,532,562	-	-	1,532,562
Categorical aid	504,647	-	34,267	538,914
Lottery	705,825	-	-	705,825
Local Government				
Interest	17,031	2,773	6,437	26,241
Other local sources	563,021	-	221,517	784,538
Total	<u>\$ 4,872,552</u>	<u>\$ 2,773</u>	<u>\$ 689,523</u>	<u>\$ 5,564,848</u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 9,336,000	\$ -	\$ -	\$ 9,336,000
Construction in process	453,404	3,365,476	2,051,658	1,767,222
Total Capital Assets Not Being Depreciated	<u>9,789,404</u>	<u>3,365,476</u>	<u>2,051,658</u>	<u>11,103,222</u>
Capital Assets Being Depreciated				
Land improvements	12,118,680	526,890	-	12,645,570
Buildings and improvements	117,209,726	2,528,226	-	119,737,952
Furniture and equipment	11,637,771	271,291	-	11,909,062
Total Capital Assets Being Depreciated	<u>140,966,177</u>	<u>3,326,407</u>	<u>-</u>	<u>144,292,584</u>
Less Accumulated Depreciation				
Land improvements	5,090,863	513,049	-	5,603,912
Buildings and improvements	50,914,057	4,003,255	-	54,917,312
Furniture and equipment	8,344,162	518,222	-	8,862,384
Total Accumulated Depreciation	<u>64,349,082</u>	<u>5,034,526</u>	<u>-</u>	<u>69,383,608</u>
Governmental Activities Capital Assets, Net	<u>\$86,406,499</u>	<u>\$1,657,357</u>	<u>\$2,051,658</u>	<u>\$ 86,012,198</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
Instruction		\$ 3,497,561
Home-to-school transportation		4,884
All other pupil services		275,531
Plant services		1,256,550
Total Depreciation Expenses Governmental Activities		<u>\$ 5,034,526</u>

LOMPOC UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2015, between major governmental funds and non-major governmental funds are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 184,955	\$ 184,955
Non-Major Governmental Funds	17,904	-	17,904
Total	<u>\$ 17,904</u>	<u>\$ 184,955</u>	<u>\$ 202,859</u>

The balance of \$184,955 due to the General Fund from the Cafeteria (Non-Major Governmental) Fund resulted from indirect cost charges.

The balance of \$17,904 due to the Cafeteria (Non-Major Governmental) Fund from the General Fund resulted from reimbursement of payroll cost.

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfers From General Fund
Non-Major Governmental Funds	<u>\$ 500,000</u>
The General Fund transferred to the Special Reserve (Non-Major Governmental) Fund for Capital Outlay Projects for operating contributions.	<u>\$ 500,000</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LOMPOC UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,891,111	\$ 7,408	\$ 1,898,519
Supplies and materials	406,397	9,503	415,900
Services	436,318	13,778	450,096
Capital outlay	161,848	138,810	300,658
Other vendor payables	556,894	392	557,286
Total	<u>\$ 3,452,568</u>	<u>\$ 169,891</u>	<u>\$ 3,622,459</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund
State categorical aid	<u>\$ 69,190</u>

LOMPOC UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds payable	\$29,989,516	\$10,687,937	\$11,735,000	\$28,942,453	\$2,055,000
Bond unamortized premium	1,876,460	918,137	504,260	2,290,337	-
Capital lease	53,815	-	33,525	20,290	20,290
Net OPEB obligation	378,177	320,588	154,569	544,196	-
Early retirement incentives	179,787	31,876	65,984	145,679	65,575
Supplemental Early Retirement Incentive	9,153	-	6,300	2,853	2,853
Supplemental medical coverage	16,532	-	9,667	6,865	6,865
Accumulated vacation - net	668,314	-	21,976	646,338	-
	<u>\$33,171,754</u>	<u>\$11,958,538</u>	<u>\$12,531,281</u>	<u>\$32,599,011</u>	<u>\$2,150,583</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the early retirement incentive were made by the General Fund. Payments for other postemployment benefits are paid by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Obligations related to capital leases, supplemental early retirement incentives and supplemental medical coverage are paid by the General Fund.

General Obligation Bonds, Election of 2002, Series B

In June 2005, the District issued \$9,000,000 principal amount of the General Obligation Bonds, Election of 2002, Series B. The 2002, Series B Bonds were issued as current interest bonds. The bonds mature through June 1, 2030, with interest rates from 3.50 to 4.25 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. In May 2008, the District refunded \$7,085,000 of the General Obligation Bonds, Election of 2002, Series B with the issuance of the 2008 General Obligation Refunding Bonds. At June 30, 2015, the final payment on the bond has occurred.

General Obligation Bonds, Election of 2002, Series C

In June 2007, the District issued \$11,500,000 principal amount of the General Obligation Bonds, Election of 2002, Series C. The 2002, Series C Bonds were issued as current interest bonds. The bonds mature through June 1, 2032, with interest rates from 3.50 to 5.00 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. In April 2015, the District refunded \$9,570,000 of the General Obligation Bonds, Election of 2002, Series C with the issuance of the 2015 General Obligation Refunding Bonds. At June 30, 2015, the principal balance outstanding was \$605,000.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2008 General Obligation Refunding Bonds

In May 2008, the District issued \$21,605,971 principal amount of the 2008 General Obligation Refunding Bonds. The 2008 Refunding Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$4,485,000. The bonds mature through August 1, 2022, with interest rates from 3.50 to 5.25 percent. Proceeds from the sale of the bonds were used to refund portions of the General Obligation Bonds, Election of 2002, the General Obligation Bonds, Election of 2002, Series B, and pay costs of issuance of the refunding bonds. At June 30, 2015, the principal balance outstanding was \$18,602,453.

2015 General Obligation Refunding Bonds

In April, 2015, the District issued the \$9,920,000 General Obligation Refunding Bonds. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$10,622,193 (representing the principal amount of \$9,920,000 and premium of \$918,137, less cost of issuance of \$215,944). The bonds have a final maturity to occur on June 1, 2032, with interest rates from 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to refund portions of the District's outstanding Election of 2002 General Obligation Bonds, Series C. The refunding resulted in a cumulative cash flow savings of \$1,102,300 over the life of the new debt and an economic gain of \$871,238 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.79 percent. As of June 30, 2015, the principal balance outstanding was \$9,735,000.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest	Total
2016	\$ 2,055,000	\$ 1,177,607	\$ -	\$ 3,232,607
2017	2,540,000	1,071,019	-	3,611,019
2018	2,885,000	939,694	-	3,824,694
2019	3,225,000	791,469	-	4,016,469
2020	3,565,000	622,419	-	4,187,419
2021-2025	9,037,453	1,537,963	1,822,457	12,397,873
2026-2030	3,715,000	713,006	-	4,428,006
2031-2032	1,920,000	93,244	-	2,013,244
Total	\$ 28,942,453	\$ 6,946,421	\$ 1,822,457	\$ 37,711,331

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Capital Lease

The District has entered into an agreement to lease copier. The agreement is, in substance, purchases (capital leases) and is reported as capital lease obligation. The District's liability on lease agreement with options to purchase is summarized below:

Balance, July 1, 2014	\$ 54,110
Payments	33,525
Balance, June 30, 2015	<u>\$ 20,585</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30, <u>2016</u>	Lease Payment
	\$ 20,585
Less: Amount Representing Interest	295
Present Value of Minimum Lease Payments	<u>\$ 20,290</u>

Early Retirement Incentives

The District provides early retirement incentives, in accordance with District employment contracts, to employees who retire from the District and meet certain eligibility requirements. Employees have various payment options, ranging from a lump-sum payment to payments over several years.

Classified Management Early Retirement Plans:

Option I: Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 55 are eligible to participate in this early retirement incentive program. Qualifying employees receive 15 percent of their last 12 months' salary for a maximum of five years. One retiree met the eligibility requirements, however the contract amount has been fully paid as of June 30, 2015.

Option II: Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 57 are eligible to participate in this early retirement incentive program. Qualifying employees receive 17 percent of their last 12 months' salary for a maximum of five years. Currently, five retirees meet those eligibility requirements. The outstanding contract amount for this purpose is \$145,679.

At June 30, 2015, future minimum payments on early retirement incentive were as follows:

Fiscal Year	Balance as of June 30, 2015
2016	\$ 65,575
2017	49,396
2018	30,708
Total	<u>\$ 145,679</u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Supplemental Early Retirement Incentives

During the 2010-2011 fiscal year, the District offered a supplemental early retirement program payable to eligible District employees beginning in the 2011-2012 fiscal year.

Classified Employees:

Classified employees with at least five years of full-time CalPERS service in the District and attainment of age 50 are eligible to participate in this supplemental early retirement incentive program. Qualifying employees receive a payment of up to \$6,450 per year for medical insurance benefits. Currently, one classified retiree met those eligibility requirements.

At June 30, 2015, future minimum payments on supplemental early retirement incentives were as follows:

<u>Fiscal Year</u>	<u>June 30, 2015</u>
2016	<u>\$ 2,853</u>

Supplemental Medical Coverage

The District currently pays for additional medical coverage for a retired Superintendent. The District's obligation under the terms of the agreement will expire during the 2015-16 fiscal year.

At June 30, 2015, future minimum payments on supplemental medical coverage were as follows:

<u>Fiscal Year</u>	<u>June 30, 2015</u>
2016	<u>\$ 6,865</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$327,331, and contributions made by the District during the year were \$154,569. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$15,127 and \$(21,870), respectively, which resulted in an increase to the net OPEB obligation of \$166,019. As of June 30, 2015, the net OPEB obligation was \$544,196. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$646,338.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,000	\$ -	\$ 5,000	\$ 10,000
Stores inventories	77,599	-	45,624	123,223
Prepaid expenditures	87,131	-	-	87,131
Total Nonspendable	169,730	-	50,624	220,354
Restricted				
Legally restricted programs	1,070,716	-	1,256,042	2,326,758
Capital projects	-	-	2,308,915	2,308,915
Debt services	-	2,913,573	-	2,913,573
Total Restricted	1,070,716	2,913,573	3,564,957	7,549,246
Assigned				
Future capital projects	-	-	621,529	621,529
Site donations and fundraisers	110,401	-	-	110,401
LCFF supplemental/concentration	319,892	-	-	319,892
IMFRP funds for future textbooks	2,753,184	-	-	2,753,184
Bus replacement	500,000	-	-	500,000
Seismic design/architect	200,000	-	-	200,000
Textbook roll over purchase orders	2,399,238	-	-	2,399,238
Escape financial (5 yr)	590,120	-	-	590,120
Other flex funding carryover	28,900	-	-	28,900
Educational services	3,789	-	-	3,789
Contribution Adult Ed MOE	401,071	-	-	401,071
Deferred maintenance program	2,005,813	-	-	2,005,813
Other post employment benefits	280,566	-	-	280,566
Cafeteria equipment and repairs	-	-	185,145	185,145
Total Assigned	9,592,974	-	806,674	10,399,648
Unassigned				
Total	5,417,225	-	-	5,417,225
	<u>\$ 16,250,645</u>	<u>\$ 2,913,573</u>	<u>\$ 4,422,255</u>	<u>\$ 23,586,473</u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Lompoc Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 32 retirees and beneficiaries currently receiving benefits and 904 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Lompoc Federation of Teachers (LFT), and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$154,569 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 327,331
Interest on net OPEB obligation	15,127
Adjustment to annual required contribution	<u>(21,870)</u>
Annual OPEB cost (expense)	320,588
Contributions made	<u>(154,569)</u>
Increase in net OPEB obligation	166,019
Net OPEB obligation, beginning of year	378,177
Net OPEB obligation, end of year	<u><u>\$ 544,196</u></u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 323,817	\$ 325,000	100.37%	\$ 254,948
2014	323,834	200,605	61.95%	378,177
2015	320,588	154,569	48.21%	544,196

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	\$ -	\$ 3,295,041	\$ 3,295,041	0.00%	\$ 54,559,974	6.04%

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

Actuarial Methods and Assumptions

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In the July 1, 2014, actuarial valuation, the project unit credit method was used. The actuarial assumptions included a four percent discount rate and a medical trend assumption of eight percent for 2014-2015, graded down by one percent per year to an ultimate five percent per year beginning in 2017. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 30 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District's risk management activities are recorded in the General Fund. The District participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2015, information was not available that indicates that the District has an outstanding obligation for any calculated deficits. See Note 15 for additional information regarding the pools.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 48,497,613	\$ 3,615,832	\$ 11,942,445	\$ 4,186,910
CalPERS	14,874,020	2,440,023	5,110,880	1,321,997
Total	<u>\$ 63,371,633</u>	<u>\$ 6,055,855</u>	<u>\$ 17,053,325</u>	<u>\$ 5,508,907</u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$3,615,832.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 48,497,613
State's proportionate share of the net pension liability associated with the District	29,284,952
Total	<u>\$ 77,782,565</u>

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively was 0.0830 percent and 0.0830 percent, resulting in no change in the proportionate share.

For the year ended June 30, 2015, the District recognized pension expense of \$4,186,910. In addition, the District recognized revenue and pension expense of \$2,528,237 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,615,832	\$ -
Difference between projected and actual earnings on pension on plan investments	-	11,942,445
Total	<u>\$ 3,615,832</u>	<u>\$ 11,942,445</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 2,985,611
2017	2,985,611
2018	2,985,611
2019	2,985,612
Total	<u>\$ 11,942,445</u>

Actuarial Methods and Assumptions

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

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 75,595,094
Current discount rate (7.60%)	48,497,613
1% increase (8.60%)	25,903,237

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$1,624,763.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,874,020. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively was 0.1310 percent and 0.1234 percent, resulting in a net increase in the proportionate share of 0.0076 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,321,997. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,624,763	\$ -
Net change in proportionate share of net pension liability	815,260	
Differences between projected and actual earnings on pension plan investments	-	5,110,880
Total	<u>\$ 2,440,023</u>	<u>\$ 5,110,880</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflows of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 271,753
2017	271,753
2018	271,754
Total	<u>\$ 815,260</u>

The deferred inflow of resources related to the differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,277,720
2017	1,277,720
2018	1,277,720
2019	1,277,720
Total	<u>\$ 5,110,880</u>

Actuarial Methods and Assumptions

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

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

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 26,092,428
Current discount rate (7.50%)	14,874,020
1% increase (8.50%)	5,499,911

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Self-Insured Schools of California (SISC) Defined Benefit Plan Description

The District contributes to the SISC Defined Benefit Plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by SISC. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by the SISC Board of Trustees. The SISC Defined Benefit Plan issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the SISC Defined Benefit Plan annual financial report may be obtained from SISC, 1300 17th Street - City Centre, Bakersfield, California 93303.

Active plan members are not required to contribute. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the SISC Board of Trustees. The required employer contribution rate for fiscal year 2014-2015 was 3.2 percent for previously covered employees and 1.6 percent for new employees covered. There are no contribution requirements of the plan members. The District's contributions to the SISC Defined Benefit Plan for the fiscal years ending June 30, 2015, 2014, and 2013, were \$23,242, \$14,435, and \$15,969, respectively, and equal 100 percent of the required contributions.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,946,793 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

LOMPOC UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Operating Leases

The District has entered into operating leases for various equipments with lease terms in excess of one year. The lease expires between June 30, 2015 and December 31, 2015. Total expenditures for fiscal year ended June 30, 2015 were \$123,613.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30, <u>2016</u>	<u>Lease Payment</u> <u>\$ 2,529</u>
--	---

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	Remaining Construction Commitment	Expected Date of Completion
La Canada Bldg E HVAC	\$ 157,830	7/30/15
Los Berros 2 Hour Wall	18,300	7/30/15
Summer Painting Projects - Maple	2,147	7/30/15
Summer Painting Projects - La Honda	71,780	7/30/15
Summer Painting Projects - Crestview	80,000	7/30/15
Summer Paving Projects - Fillmore	5,237	7/30/15
Summer Paving Projects - Lompoc HS	258,006	7/30/15
Summer Paving Projects - Lompoc Valley MS	1,367	7/30/15
Summer Paving Projects - Miguelito	23,633	7/30/15
Summer Paving Projects - La Canada	3,200	7/30/15
CNG Station	104,175	8/30/15
	<u>\$ 725,675</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC II and SISC III), and the Santa Barbara County Schools Self-Insurance Program for Employees (SIPE) public entity risk pools joint powers authority (JPA). The County pays an annual premium to each entity for its property and liability, health, benefits, and workers' compensation coverage, respectively. The relationships between the District, the pools, and the JPA are such that they are not component units of the District for financial reporting purposes.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

During the year ended June 30, 2015, the District made payments of \$469,989, \$6,528,994, and \$1,345,308 to SISC II, SISC III, and SIPE, respectively, for services received.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 78,780,203
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(78,346,775)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	<u>4,623,295</u>
Net Position - Beginning as Restated	<u><u>\$ 5,056,723</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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LOMPOC UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
			Final	
			to Actual	
REVENUES				
Local Control Funding Formula	\$ 69,792,610	\$ 72,042,838	\$ 72,012,344	\$ (30,494)
Federal sources	6,270,720	6,921,774	6,930,356	8,582
Other State sources	6,837,029	6,533,515	8,411,299	1,877,784
Other local sources	2,279,402	3,150,162	3,408,134	257,972
Total Revenues ¹	85,179,761	88,648,289	90,762,133	2,113,844
EXPENDITURES				
Current				
Certificated salaries	40,356,148	41,762,842	42,152,497	(389,655)
Classified salaries	13,460,949	15,210,789	14,337,721	873,068
Employee benefits	15,569,991	15,830,672	17,148,486	(1,317,814)
Books and supplies	5,011,601	7,207,861	5,591,811	1,616,050
Services and operating expenditures	6,828,150	7,698,039	7,534,033	164,006
Other outgo	4,679,386	4,127,905	4,345,648	(217,743)
Capital outlay	498,856	1,499,496	746,645	752,851
Debt service - principal	-	-	33,525	(33,525)
Debt service - interest	-	-	24,620	(24,620)
Total Expenditures ¹	86,405,081	93,337,604	91,914,986	1,422,618
Excess (Deficiency) of Revenues				
Over Expenditures	(1,225,320)	(4,689,315)	(1,152,853)	3,536,462
Other Financing Sources (Uses)				
Transfers in	96,510	100,000	-	(100,000)
Transfers out	(1,381,269)	(1,259,830)	(500,000)	759,830
Net Financing Sources (Uses)	(1,284,759)	(1,159,830)	(500,000)	659,830
NET CHANGE IN FUND BALANCES	(2,510,079)	(5,849,145)	(1,652,853)	4,196,292
Fund Balance - Beginning	17,903,498	17,903,498	17,903,498	-
Fund Balance - Ending	\$ 15,393,419	\$ 12,054,353	\$ 16,250,645	\$ 4,196,292

¹ On behalf payments of \$1,946,793 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and Expenditures pertaining to these funds is included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

LOMPOC UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	\$ -	\$ 2,331,030	\$ 2,331,030	0%	\$ 50,389,392	4.63%
July 1, 2012	-	2,539,067	2,539,067	0%	51,550,056	4.93%
July 1, 2014	-	3,295,041	3,295,041	0%	54,559,974	6.04%

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.0830%</u>
District's proportionate share of the net pension liability	\$ 48,497,613
State's proportionate share of the net pension liability associated with the District	<u>29,284,952</u>
Total	<u>\$ 77,782,565</u>
District's covered - employee payroll	<u>\$ 38,955,594</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>124.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability	<u>0.1310%</u>
District's proportionate share of the net pension liability	<u>\$ 14,874,020</u>
District's covered - employee payroll	<u>\$ 13,781,650</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>107.93%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

LOMPOC UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 3,615,832
Contributions in relation to the contractually required contribution	<u>3,615,832</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 40,713,695</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 1,624,763
Contributions in relation to the contractually required contribution	<u>1,624,763</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 13,804,274</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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LOMPOC UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	[1]	\$ 1,377,538
Passed through California Department of Education (CDE):			
Adult Education and Family Literacy Act			
Adult Education-Basic Grants to States Cluster			
Adult Basic Education: Adult Basic Education and ESL	84.002A	14508	40,914
Adult Education: Adult Secondary Education	84.002	13978	6,571
Adult Education: English Literacy and Civics Education	84.002A	14109	<u>23,651</u>
Subtotal Adult Education - Basic Grants to States Cluster			<u>71,136</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,404,815
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330B	14831	4,958
Title II, Part A - Improving Teacher Quality	84.367	14341	593,890
English Language Acquisition Grants:			
Title III - Immigration Education Program	84.365	15146	26,572
Title III - Limited English Proficiency	84.365	14346	<u>274,974</u>
Subtotal English Language Acquisition Grants Cluster			<u>301,546</u>
Passed through Santa Barbara SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,547,729
Preschool Grants, Part B, Sec 619	84.173	13430	56,458
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	<u>140,956</u>
Subtotal Special Education (IDEA) Cluster			<u>1,745,143</u>
Carl D. Perkins Vocational and Technical Education Improvement Act of 2006			
Carl D. Perkins Vocational and Technical Education:			
Secondary, Section 131	84.048	14894	<u>79,177</u>
Total - U.S. Department of Education			<u>6,578,203</u>

[1] Direct funded program

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medicaid Program Cluster			
Medical Administrative Activities (MAA)	93.778	10060	\$ 130,132
Medi-Cal Billing Option	93.778	10013	159,968
Subtotal Medicaid Program Cluster			<u>290,100</u>
Total U.S. Department of Health and Human Services			<u>290,100</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	471,994
National School Lunch Program	10.555	13396	2,162,730
Commodities	10.555	13396	56,396
Meal Supplements	10.556	13392	43,965
Subtotal Child Nutrition Cluster			<u>2,735,085</u>
Total U.S. Department of Agriculture			<u>2,735,085</u>
Total Federal Programs			<u>\$ 9,603,388</u>

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Lompoc Unified School District was established on July 1, 1960. The District is currently operating nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program and an independent study program.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Steve Straight	President	2018
Henry (Hank) Gallina	Vice President	2016
Carmela Kessler	Clerk	2016
Bill Christen	Member	2016
Bill Heath	Member	2018

ADMINISTRATION

Trevor McDonald	Superintendent
Sheldon Smith	Assistant Superintendent, Business Services
Vacant	Assistant Superintendent, Human Resources
Sid Haro	Assistant Superintendent, Education Services

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,023.41	3,022.59
Fourth through sixth	2,005.67	2,008.32
Seventh and eighth	1,384.04	1,380.45
Ninth through twelfth	2,814.69	2,786.05
Total Regular ADA	<u>9,227.81</u>	<u>9,197.41</u>
Extended Year Special Education		
Transitional kindergarten through third	4.02	4.02
Fourth through sixth	2.65	2.65
Seventh and eighth	1.07	1.07
Ninth through twelfth	3.76	3.76
Total Extended Year Special Education	<u>11.50</u>	<u>11.50</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.05	0.03
Seventh and eighth	-	0.16
Ninth through twelfth	-	0.48
Total Special Education, Nonpublic, Nonsectarian Schools	<u>0.05</u>	<u>0.67</u>
Total ADA	<u>9,239.36</u>	<u>9,209.58</u>

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	51,045	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,400	180	-	Complied
Grade 2			50,400	180	-	Complied
Grade 3			50,400	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,033	180	-	Complied
Grade 5			54,033	180	-	Complied
Grade 6			54,033	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			60,925	180	-	Complied
Grade 8			60,925	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,874	180	-	Complied
Grade 10			64,874	180	-	Complied
Grade 11			64,874	180	-	Complied
Grade 12			64,874	180	-	Complied

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 99,584,158	\$ 88,732,673	\$ 78,862,861	\$ 69,401,816
Other sources	-	200,000	100,000	-
Total Revenues	99,584,158	88,932,673	78,962,861	69,401,816
Expenditures	96,059,705	89,061,578	80,409,647	67,948,961
Other uses and transfers out	1,612,634	1,259,830	897,197	882,748
Total Expenditures and Other Uses	97,672,339	90,321,408	81,306,844	68,831,709
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,911,819	\$ (1,388,735)	\$ (2,343,983)	\$ 570,107
ENDING FUND BALANCE	\$ 15,423,326	\$ 13,511,507	\$ 14,900,242	\$ 17,244,225
AVAILABLE RESERVES ²	\$ 5,829,045	\$ 5,417,225	\$ 8,731,853	\$ 2,062,896
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	5.97%	6.05%	10.74%	3.00%
LONG-TERM OBLIGATIONS	NA	\$ 32,599,011	\$ 33,171,754	\$ 34,983,848
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,228	9,239	9,039	8,877

The General Fund balance has decreased by \$3,732,718 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$1,911,819 (14.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$2,384,837 over the past two years.

Average daily attendance has increased by 362 over the past two years. A decline of 11 ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$1,946,793 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.

⁴ General Fund amounts do not include activity related to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Manzanita Public Charter School (0973)	No

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 1,214,736	\$ 453,070	\$ 1,869,179	\$ 487,065	\$ 4,024,050
Receivables	466,396	523	4,830	217,774	689,523
Due from other funds	17,904	-	-	-	17,904
Stores inventories	45,624	-	-	-	45,624
Total Assets	<u>\$ 1,744,660</u>	<u>\$ 453,593</u>	<u>\$ 1,874,009</u>	<u>\$ 704,839</u>	<u>\$ 4,777,101</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 67,894	\$ 14,787	\$ 3,900	\$ 83,310	\$ 169,891
Due to other funds	184,955	-	-	-	184,955
Total Liabilities	<u>252,849</u>	<u>14,787</u>	<u>3,900</u>	<u>83,310</u>	<u>354,846</u>
Fund Balances:					
Nonspendable	50,624	-	-	-	50,624
Restricted	1,256,042	438,806	1,870,109	-	3,564,957
Assigned	185,145	-	-	621,529	806,674
Total Fund Balances	<u>1,491,811</u>	<u>438,806</u>	<u>1,870,109</u>	<u>621,529</u>	<u>4,422,255</u>
Total Liabilities and Fund Balances	<u>\$ 1,744,660</u>	<u>\$ 453,593</u>	<u>\$ 1,874,009</u>	<u>\$ 704,839</u>	<u>\$ 4,777,101</u>

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES					
Federal sources	\$ 2,735,085	\$ -	\$ -	\$ -	\$ 2,735,085
Other State sources	222,650	-	-	-	222,650
Other local sources	1,636,915	2,006	568,021	309,881	2,516,823
Total Revenues	<u>4,594,650</u>	<u>2,006</u>	<u>568,021</u>	<u>309,881</u>	<u>5,474,558</u>
EXPENDITURES					
Current					
Pupil services:					
Food services	3,327,774	-	-	-	3,327,774
All other administration	184,747	-	15,730	-	200,477
Plant services	48,886	94,856	1,944	86,558	232,244
Facility acquisition and construction	1,509,119	11,401	436,773	1,490,346	3,447,639
Total Expenditures	<u>5,070,526</u>	<u>106,257</u>	<u>454,447</u>	<u>1,576,904</u>	<u>7,208,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(475,876)</u>	<u>(104,251)</u>	<u>113,574</u>	<u>(1,267,023)</u>	<u>(1,733,576)</u>
Other Financing Sources					
Transfers in	-	-	-	500,000	500,000
NET CHANGE IN FUND BALANCES	<u>(475,876)</u>	<u>(104,251)</u>	<u>113,574</u>	<u>(767,023)</u>	<u>(1,233,576)</u>
Fund Balance - Beginning	<u>1,967,687</u>	<u>543,057</u>	<u>1,756,535</u>	<u>1,388,552</u>	<u>5,655,831</u>
Fund Balance - Ending	<u>\$ 1,491,811</u>	<u>\$ 438,806</u>	<u>\$ 1,870,109</u>	<u>\$ 621,529</u>	<u>\$ 4,422,255</u>

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

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 in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 9,665,441
Medi-Cal Billing Option	93.778	(62,053)
Total Schedule of Expenditures of Federal Awards		<u>\$ 9,603,388</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

LOMPOC UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of 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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Lompoc Unified School District
Lompoc, 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 Lompoc 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 Lompoc Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lompoc Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lompoc Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lompoc Unified School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lompoc Unified School 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*.

We noted certain matters that we reported to management of Lompoc Unified School District in a separate letter dated December 10, 2015.

Purpose of This Report

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

VAUGHN, K. J. Day + Co. P

Rancho Cucamonga, California
December 10, 2015



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

Governing Board
Lompoc Unified School District
Lompoc, California

Report on Compliance for Each Major Federal Program

We have audited Lompoc 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 Lompoc Unified School District's major Federal programs for the year ended June 30, 2015. Lompoc Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lompoc Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Lompoc Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lompoc Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Lompoc Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lompoc Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 Lompoc Unified School 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.

VAJZAN SIKITZINS Day + Co. CP

Rancho Cucamonga, California
December 10, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lompoc Unified School District
Lompoc, California

Report on State Compliance

We have audited Lompoc Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lompoc Unified School District's State government programs as noted below for the 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's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lompoc Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lompoc Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lompoc Unified School District's compliance with those requirements.

Basis for Qualified Opinion on After School Education and Safety and Adult Education Maintenance of Effort

As described in the accompanying schedule of findings and questioned costs, Lompoc Unified School District did not comply with requirements regarding the After School Education and Safety and Adult Education Maintenance of Effort; refer to State Award Findings and Questioned Costs section of this report, findings 2015-001 and 2015-002. Compliance with such requirements is necessary, in our opinion, for Lompoc Unified School District to comply with the requirements applicable to these programs.

Qualified Opinion on After School Education and Safety and Adult Education Maintenance of Effort

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lompoc Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Lompoc Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

	<u>Procedures Performed</u>
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not have a Regional Occupational Center or Program; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

VAJRNEN, TIZINS, Day + CO, LLP

Rancho Cucamonga, California
December 10, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LOMPOC UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>Impact Aid</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education (IDEA) Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of State Program</u>
	<u>After School Education and Safety</u>
	<u>Adult Education Maintenance of Effort</u>

LOMPOC UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

LOMPOC UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	40000	State Compliance
2015-001	40000	

Criteria or Specific Requirements

According to *Education Code* Section 8483(a) (2), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. In addition, adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign out sheets for students in order to track attendance. The auditor tested the only school site operating the program (La Honda Elementary School) and recomputed the attendance as indicated on the sign out sheets to determine if total attendance for the month of November 2014 agrees with the amount reported on the semi-annual report. The auditor counted each student on the sign out sheet that was signed out at/after 6:00 pm and each student who left early and had a documented reason for their early release on file. Per the auditor's count, La Honda Elementary School was reported to have 1,098 students for the month of November 2014, but the auditor's count per criteria described above resulted in 877 students, resulting in 221 differences. Variances were a result of parents not signing their children out, lack of documenting the reason for early release, lack of sign out time documented, and human error.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be overstated by 221 at La Honda Elementary School for the month of November 2014.

Context

The condition identified was determined through a review of attendance records from the La Honda Elementary School in the District that operates the after school program. Manual sign in rosters were reviewed for each child's sign out time in order to determine daily participation. The auditor selected the month of November 2014 for the first semiannual reporting period. The auditor then compared the manual rosters to the summaries used to report the number of students served and noted a difference of 221 for La Honda Elementary School.

LOMPOC UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

LOMPOC UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Effect

There is not sufficient documentation to support the number of student served reported to the California Department of Education. It appears the District overstated the number of student served by 221 for La Honda Elementary School for the first semiannual period.

Cause

It appears that the condition identified has materialized as a result of the District not following up to ensure the total number of students that participated, as indicated by the manual rosters, agreed to the monthly summaries and the attendance reports that were submitted to the California Department of Education agreed to the District summaries.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education. In addition, the total number of students served in the manual rosters should reconcile to the total number of students reported on the attendance report.

Corrective Action Plan

The District met with both ASES partners during 2014-2015 to review attendance and early release procedures. The District will ensure that the attendance records are adequately maintained and reconciled to underlying supporting attendance records maintained at the program location. The District will also provide support required for the ASES partners to maintain and upload attendance and early release policies as well as monitor the partners at selected points during the year. The District will continue to meet with the ASES partners as needed to reinforce existing and early policies and procedures.

2015-002 40000

Criteria or Specific Requirements

According to California *Education Code* Section 2575(k) or 42238.03(a)(7), for funds received by the District for the purpose of administering the Adult Education Program during the 2014-2015 fiscal year, the District must expend no less than the amount of funds expended, or the amount of revenue received, if that is less, for the purpose of this program in the 2012-2013 fiscal year.

Condition

The District is deficient in meeting the maintenance of effort requirement for its Adult Education Program. Specifically, the District was deficient by \$5,062 for the Adult Education Program.

Questioned Costs

There were no questioned costs associated with the condition identified. However, the District was deficient in meeting its Adult Education Program maintenance of effort by \$5,062.

LOMPOC UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Context

The District records its activities related to its Adult Education Program using Resource 0639 in Fund 11. In reviewing the activities posted in Resource Code 0639 in Fund 11, the District expended a total of \$512,135. The total amount expended by the District did not meet the required level of maintenance of effort which was identified as \$517,197 for the Adult Education Program.

Effect

As a result of our testing, the District does not appear to be in compliance with California *Education Code* Section 42238.03(a)(7).

Cause

It appears the condition identified has materialized directly as a result of a reduction in the operation of the program due to low participation.

Recommendation

While the maintenance of effort requirement related to the Adult Education Program will no longer exist in the subsequent fiscal year, the District should be cognizant of the general guidelines pertaining to the maintenance of effort requirement. The District should ensure its budgeting process incorporates maintenance of effort requirements into account for other programs, especially when there may be a direct fiscal penalty imposed on the District for failing to meet the maintenance of effort requirements.

Corrective Action Plan

The District will adhere to Audit Education Block Grant requirement in order to maintain its consortium membership.

LOMPOC UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of the report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

Finding 14.1: Internal Controls over Associated Student Body (ASB) Cash Receipts (30000)

Criteria: In accordance with best practices for internal controls over cash receipts, procedures regarding ASB cash receipts should be developed and implemented consistently. The *Associated Student Body Accounting Manual and Desk Reference* published by FCMAT details best practices for internal controls over cash receipts, including use of tickets for sales events.

Condition: During our test work over ASB cash receipts at Cabrillo High School, we noted 4 instances in which funds were not turned in timely to the ASB bookkeeper. We also noted 2 instances in which funds were held by the ASB bookkeeper approximately 3 weeks prior to being deposited. We also noted that a reconciliation between tickets sold and cash received is not done for all fundraising events. As part of our test work of cash receipts at Vandenberg Middle School (VMS), we also noted that the bookkeeper does not use software to record receipts and disbursements. Instead a hand written ledger is used in addition to an excel spreadsheet.

Cause and Effect: Cash collections that are not submitted or deposited timely have a higher risk of being misappropriated. Utilization of pre-numbered tickets for all sales events is an effective cash control that allows ASB bookkeepers to reconcile tickets sold to cash receipts. Not utilizing software to record accounting activity may leave less of an accounting trail and fewer controls.

Questioned Costs: None.

Recommendation: We recommend that the District continue to work with and educate all personnel involved with the ASB accounting process to ensure that procedures regarding ASB cash receipts are consistently applied, including the requirements that cash be deposited timely and that cash collected at events be reconciled with pre-numbered tickets when possible. We also recommend the District consider the use of software to track and record receipt and disbursement transactions at Vandenberg Middle School.

Current Status

Improved. See management letter comment.

LOMPOC UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

State Award Findings and Questioned Costs

Finding 14.2: After School Education and Safety Program (40000)

Criteria: A local education agency that operates an After School Education and Safety Program must ensure that students meet the days/hours requirements of Education Code Section 8483. In addition, the local education agency must establish a policy regarding reasonable early daily release of pupils from the After School Education and Safety Program.

Condition: During State compliance testing of the After School Education and Safety Program, we identified 116 instances in which students did not meet the days/hours requirement of the After School Safety Program in accordance with Education Code Section 8483. In addition, we identified 10 instances in which the add/drop dates per the Student Directory, which is used to maintain a comprehensive list of those students enrolled in the program at any point in time, did not agree to the status of the student at either the daily or the weekly tracking schedules.

Cause and Effect: For the 116 instances in which students did not meet the days/hours requirement, we are required to report these instances as failure to operate consistent with the days/hours requirements of the After School Safety Program in accordance with Education Code Section 8483. 52 of the instances were middle school pupils at Lompoc Valley Middle School and 64 were elementary school pupils at Fillmore Elementary School. The reported number of students served at Lompoc Valley Middle School for the 2013-2014 school year should have been 1,788 instead of 1,840. The reported number of students served at Fillmore Elementary School for the 2013-2014 school year should have been 12,961 instead of 13,025. We were able to verify that the students in all other noted above instances met the days/hours requirement.

Questioned Costs: Unknown.

Recommendation: We recommend that the District ensure that attendance records are adequately maintained to ensure that each student meets the days/hours requirement of the After School Safety Program in accordance with Education Code Section 8483. We further recommend that the District consistently enforce the policy on early daily release from the after school program and maintain signed and dated evidence of a student's early release.

Current Status

Not implemented. See current year's findings at 2015-001.



Governing Board
Lompoc Unified School District
Lompoc, California

In planning and performing our audit of the financial statements of Lompoc Unified School District (the District) for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2015, on the government-wide financial statements of the District.

INTERNAL CONTROLS

General Clearing Bank Reconciliation

Observation

The general District clearing account bank statements are not reconciled in a timely manner. The auditor obtained bank statements as of the date of field work (October 2015) and noted reconciliations have not been performed since September 2014.

Recommendation

The District should establish and enforce formalized procedures related to reconciliation of the General Fund clearing account. In addition, there should be a third-party review of all reconciliations. The timely reconciliation ensures any checks or deposits that have not cleared in a reasonable time are investigated and appropriate actions are taken to resolve the identified issue.

Payroll – Vacation Requests

Observation

During our testing of vacation request procedures, we noted vacation request forms are not utilized consistently for requests of vacation. Without these forms, there is no evidence of prior approval of vacation requests by the employee's immediate supervisor.

Recommendation

Vacation requests should be preapproved by the immediate supervisor of an employee to ensure only employees with available vacation time are approved for vacation.

Segregation of Duty – System Access

Observation

In our review of system accessibility in purchasing and accounts payable systems, we noted that various personnel have access to functions not necessary for their assigned responsibilities. Specifically, we noted that at least one accounts payable clerk has access to AS400, the purchasing module, which allows the clerk to create new vendors.

Recommendation

The District has defined responsibilities for all personnel and should provide them system access accordingly. Accounts payable personnel should only have access to system functions that are necessary to complete their tasks. The District should ensure that accounts payable personnel are limited to accessing payable system as it relates to their duties and are provided view only access to the purchasing system.

Chevron Card Disbursements

Observation

During our review of Chevron credit card transactions, we noted proper controls over credit card purchases are not in place. Twenty-one of 29 Chevron card transactions tested could not be traced to a Transportations Department's sign out log, and 7 of 29 transactions were not supported by a receipt.

Recommendation

The District should enforce policies related to the use of Chevron gas cards. Each employee should be required to sign the log when checking out the card and required to bring back a receipt to ensure support exists for each transaction. The Chevron card activity should be reconciled to receipts and the log on a consistent basis to ensure there are no discrepancies and policies and procedures have been followed.

ASSOCIATE STUDENT BODY

Cabrillo High School

Cash Receipting

Observations

1. Cash deposits are being submitted to the ASB bookkeeper without supporting documentation. The site does not require cash deposits to be supported by reconciling items like receipts, tally sheets, or tickets.
2. The snack bar daily sales procedures are not sufficient to reconcile the items sold to the total cash collected. The auditor observed the snack bar operations and determined that the site is not utilizing the cash register consistently to document the amount/type of items sold in the day. The inventory record is not maintained for merchandise sold or purchased at the snack bar.

Recommendations

1. Cash collections, which are brought to the ASB office for deposit, should always be supported by reconciling documents like tally sheets, ticket sales forms, receipts, etc. Cash should never be brought to the ASB office for deposit without one of these types of documents to justify the completeness of the deposit. Documentation submitted to the ASB office should identify the quantity of the items sold/collected and the related price. Cash collected should be reconciled to the amount of items sold. Any discrepancies should be noted during this process and documented on the deposit slip.
2. The site should perform a sales analysis of items sold to the total cash collection. This procedure would help the ASB identify the completeness of cash deposits from the student store and help to identify any misuse/theft of student store items. The site should perform regular inventory of snack bar items sold and purchased. Ending inventory numbers should be compared to the beginning inventory numbers to derive a total amount of items sold. The items sold number should be multiplied by the items selling price to determine the total cash collections. The total collections per the calculations can be compared to the actual deposits to note any discrepancies.

Disbursements

Observation

Four of 15 disbursements tested were not pre-approved by the ASB. The invoice date on these disbursements was prior to the purchase request approval date indicating that the order was placed prior to approval.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Fundraising Activities

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.

Ticketed Events

Observations

1. A master ticket log is not being utilized to account for all tickets on hand and used during the year.
2. There is poor physical control over ticket rolls. Tickets are left unattended on a shelf without proper security.

Recommendations

1. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.
2. The tickets should be treated like cash and stored in either a safe or a locked cabinet with minimal personnel having access to it. Tickets left in the open could be stolen and result in lost revenues for the ASB.

Deficit Account Balance

Observation

In reviewing the financial statements for the student body accounts, we noted various trust accounts ended the year with a aggregate negative balance of \$39,669. Since the student body accounts represent individual portions of the cash and asset pool, by allowing some accounts a negative balance, these accounts have spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has sufficient funds on hand. This control feature has not been sufficiently followed. In addition, ASB advisors and clubs are not being provided with account balances on a monthly basis to ensure the balance reported on the financial statements for their club is accurate.

Recommendation

The ASB has a responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account. In addition, to ensure the accuracy of reporting for each club's activities, a monthly statement should be provided to all student groups for review.

Lompoc Valley Middle School

Cash Receipting

Observations

1. Based on the review of cash receipts, it was noted that 11 of 35 receipts tested were not deposited in a timely manner. The delay in deposit ranged from 11 to 36 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash deposits are being submitted to the ASB bookkeeper without supporting documentation. The site does not require cash deposits to be supported by documentation such as receipts, tally sheets, or tickets.
3. The snack bar daily sales procedures are not sufficient to reconcile the items sold to the total cash collected. The auditor observed the snack bar operations and determined that the site is not utilizing the cash register consistently to document the amount/type of items sold in the day. The inventory record is not maintained for merchandise sold or purchased at the snack bar.

Recommendations

1. The ASB's should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
2. Cash collections, which are brought to the ASB office for deposit, should always be supported by documentation such as tally sheets, ticket sales forms, receipts, etc. Cash should never be brought to the ASB office for deposit without documentation that supports the completeness of the deposit. Documentation submitted to the ASB office should identify the quantity of the items sold/collected and the related price. Cash collected should be reconciled to the amount of items sold. Any discrepancies should be noted during this process and documented on the deposit slip.
3. The site should perform a sales analysis of items sold to the total cash collection. This procedure would help the ASB identify the completeness of cash deposits from the student store and help to identify any misuse/theft of the student store items. The site should perform regular inventory of snack bar items sold and purchased. Ending inventory numbers should be compared to the beginning inventory numbers to derive a total amount of items sold. The items sold number should be multiplied by the items selling price to determine the total cash collections. The total collections per the calculations can be compared to the actual deposits to note any discrepancies.

Disbursement

Observations

1. Based on the review of the ASB disbursements procedures, it was noted that 5 of 18 disbursements were made without explicit receiving documentation for goods being ordered. As a result, vendor invoices were being paid without the direct knowledge of whether or not the goods being ordered had been received by the ASBs.
2. Two of 18 disbursements tested were not pre-approved by the ASB. The invoice date on these disbursements was prior to the purchase request approval date indicating that the order was placed prior to approval.

Recommendations

1. All goods ordered should be supported with receiving documentation before payment is made. Documentation should indicate the date that the goods have been received and document whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Fundraising Events

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

Ticketed Events

Observation

Ticket sales reports are not reviewed before submission to the student body bookkeeper for deposit of the funds. We noted discrepancies between the number of the tickets sold and the money submitted for deposit with no explanation of the shortage.

Recommendation

Ticket sales report should be reviewed by the club selling the tickets to ensure the number of tickets times the price of the ticket agrees to the money collected. Any discrepancies should be explained on the report being submitted to the ASB bookkeeper to ensure large discrepancies are investigated.

Lompoc High School

Deficit Account Balance

Observation

In reviewing the financial statements for the student body accounts, we noted various trust accounts and the general ASB account ended the year with an aggregate negative balance of \$63,516. Since the student body accounts represent individual portions of the cash and asset pool, by allowing some accounts a negative balance, these accounts have spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has sufficient funds on hand. This control feature has not been sufficiently followed. In addition, ASB advisors and clubs are not being provided with account balances on a monthly basis to ensure the balance reported on the financial statements for their club is accurate. We also noted a trust account named Prior Year Debt with a balance of \$23,457. The ASB is not aware of what makes up this account, and this account has been rolling forward year to year.

Recommendation

The ASB has a responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account. In addition, to ensure the accuracy of reporting for each club's activities, a monthly statement should be provided to all student groups for review. The ASB should review the Prior Year Debt account and figure out what makes up the account balance so they can determine proper treatment of the account instead of carrying it forward each year.

We will review the status of the current year comments during our next audit engagement.

VAJZANEK, TRINA Day + CUP

Rancho Cucamonga, California
December 10, 2015

