NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
North Monterey County Unified School District
Moss Landing, 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 North Monterey County Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 *2015-2016 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.

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 70, schedule of other postemployment benefits funding progress on page 71, schedule of the district's proportionate share of net pension liability on page 72, and the schedule of district contributions on page 73, 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 North Monterey County 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 14, 2016, on our consideration of the North Monterey County 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 North Monterey County Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2016

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The discussion and analysis of North Monterey County Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, notes to financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

- General Fund (including Special Revenue Funds combined as a result of GASB 54 implementation) revenues exceeded expenditures and other uses by $3.5 million, ending the year with available reserves of $1.5 million meeting the State recommended reserve level of 3.0 percent.

- The total of the District's capital assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $91.9 million. After depreciation, the June 30, 2016, book value for fixed assets totaled $41.5 million.

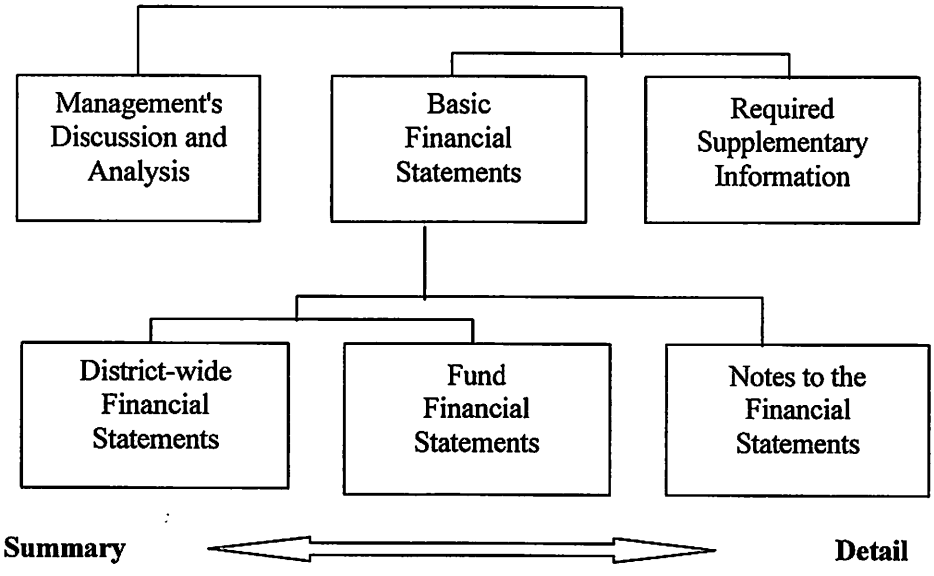
- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-and amendment of GASB Statement No. 27* as of June 30, 2015, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported Deferred Outflows from pension activities $8.5 million, Deferred Inflows from pension activities of $7.3 million, and a Net Pension Liability of $36.3 million.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the North Monterey County Unified School District as a financial whole; an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



The first two statements are *district-wide financial statements,* the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's general fund budget is included.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the District as a whole.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- Governmental Funds

  Most of the District's activities are reported in governmental funds. The major governmental funds of the District in the current year are the General Fund and theBuilding Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- Proprietary Funds

  Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has one type of proprietary fund, an internal service fund. The internal service fund of the District is the Self-Insurance Fund used to account for the District's self-insured plan.

- Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The District as a Whole

The District's net position was a deficit $4.5 million at June 30, 2016. Of this amount $8.2 million was restricted. Net investment in capital assets, account for $14.7 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

Table 1
Comparative Statement of Net Position

(Amounts in millions)	Governmental Activities		
	2016	Restated 2015	Difference
Assets			
Current and other assets	$ 31.8	$ 38.3	$ (6.5)
Capital assets	41.5	39.0	2.5
Total Assets	73.3	77.3	(4.0)
Deferred Outflows of Reserves	8.5	3.0	5.5
Liabilities			
Current liabilities	4.3	6.6	2.3
Long-term obligations	38.4	44.4	6.0
Aggregate net pension liability	36.3	29.6	(6.7)
Total Liabilities	79.0	80.6	1.6
Deferred Inflows of Reserves	7.3	8.0	0.7
Net Position			
Net investment in capital assets	14.7	10.4	4.3
Restricted	8.2	12.1	(3.9)
Unrestricted	(27.4)	(30.8)	3.4
Total Net Position	$ (4.5)	$ (8.3)	$ 3.8

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District as a Whole (Continued)

The District's net position was a deficit $4.5 million for the fiscal year ended June 30, 2016. Of this amount, a deficit $27.4 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use that net position for day to day operations. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

The outstanding long-term obligations of $38.4 million includes installments of voter-approved general obligation bonds. The voters authorized a total of $20.8 million of bonded debt in 2002 and $23.8 million in 2013. Long-term obligations also include liabilities for employee compensated absences and early retirement incentives. Additionally, the District has $6.7 million in Certificates of Participation (COP) outstanding. (See Table 5 for details)

The District has completed major modernization and construction of new school facilities. The COP issues provided the required matching funds for state construction grants. Of the $8.2 million in restricted balances, $0.2 million consists of developer fee funds restricted for projects.

The District's net asset position increased $3.8 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 80.0 percent of total expenses. The purely administrative activities of the District accounted for just 6.0 percent of total costs. The remaining 14.0 percent was spent in the areas of plant services, interest on long-term obligations and other outgo and other expenses. (See Table 2)

The cost of all governmental activities this year was $57.9 million. However, the amount our taxpayers ultimately financed for these activities through local taxes was only $15.6 million. The amount that was financed by other government agencies and organizations that subsidized certain programs with grants and contributions was $13.2 million.

The remaining revenue consisted of unrestricted federal and state aid not restricted to a specific purpose, of $1.4 million charges for services, other local grants, and interest income. Taxes levied for debt service accounted for $2.5 million. This is based on General Obligation Bonds approved by the electorate in November 2002 and November 2013.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District as a Whole (Concluded)

Table 2
Comparative Statement of Changes in Net Position

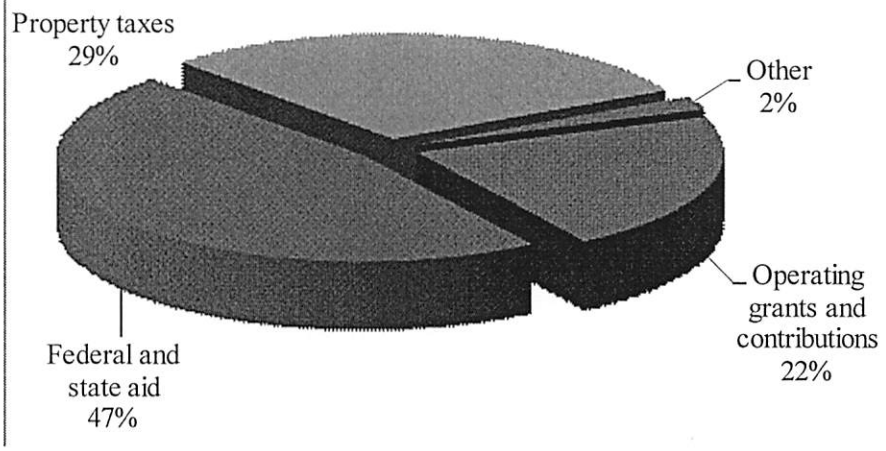
(Amounts in millions)	Governmental Activities		
	2016	2015	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.1	$ -	$ 0.1
Operating grants and contributions	13.2	12.3	0.9
General revenues:			
Federal and State aid not restricted	29.0	21.9	7.1
Property taxes	18.1	17.5	0.6
Other general revenues	1.3	0.6	0.7
Total Revenues	61.7	52.3	9.4
Expenses			
Instruction related	38.0	34.7	(3.3)
Student support services	8.2	7.1	(1.1)
Administration	3.5	3.1	(0.4)
Plant services	5.0	3.7	(1.3)
Other	3.2	3.8	0.6
Total Expenses	57.9	52.4	(5.5)
Change in Net Position	$ 3.8	$ (0.1)	$ 3.9

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

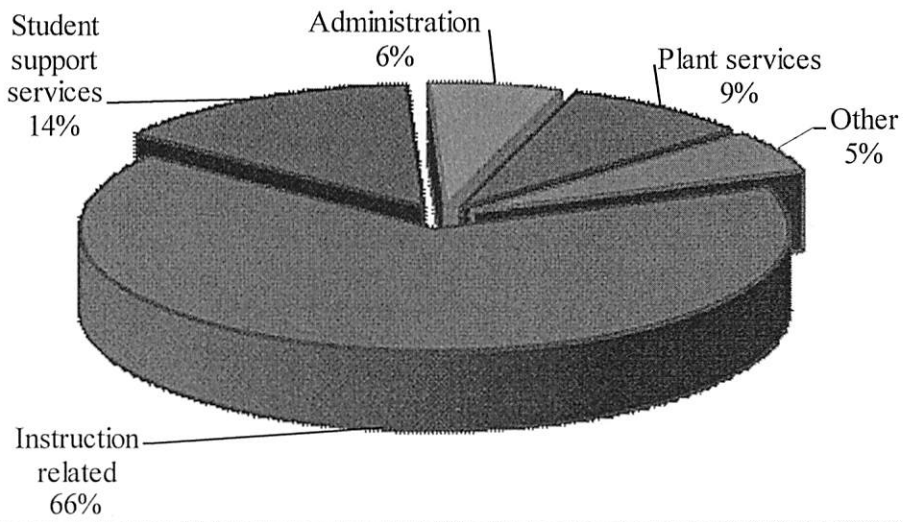
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $57.9 million. The amount that our local taxpayers financed for these activities through property taxes was $18.1 million. Federal and State aid not restricted to specific purposes totaled $29.0 million. State and Federal Categorical revenue totaled over $13.2 million, or 23 percent of the revenue of the entire District (See Figure 1).

Sources of Revenue for the 2015-2016 Fiscal Year Figure 1



Expenses for the Fiscal Year 2015-2016 Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $27.4 million, a decrease of $4.7 million from the previous fiscal year's combined ending balance of $32.1 million. This decrease is mainly reflected in the Building Fund due to expenditures for bond related construction and the Debt Service Fund for the Certificates of Participation payment.

Table 3 District's Fund Balances

(Amounts in millions)	Fund Balances		
	June 30, 2016	June 30, 2015	Difference
General	$ 11.6	$ 8.0	$ 3.6
Child Development	0.5	0.5	-
Cafeteria	1.6	1.5	0.1
Building	9.3	13.1	(3.8)
Capital Facilities	0.2	0.2	-
Bond Interest and Redemption	1.5	1.5	-
Debt Service	2.7	7.3	(4.6)
Total	$ 27.4	$ 32.1	$ (4.7)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Budget revisions approved throughout the year resulted in increases to Capital Outlay primarily for new construction and modernization projects.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District uses $5,000 as its capitalization threshold. By the end of the 2015-2016 fiscal year, the District had invested $91.9 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets, net of $50.4 million of depreciation, were $41.5 million at June 30, 2016, which is an increase of $2.5 million from the previous year.

Table 4
Comparative Schedule of Capital Assets (net of depreciation)
June 30, 2016 and 2015

(Amounts in millions)	Governmental Activities		
	2016	2015	Difference
Land and construction in process as restated	$ 5.3	$ 1.8	$ 3.5
Buildings and improvements	34.3	35.9	(1.6)
Equipment	1.9	1.3	0.6
Total	$ 41.5	$ 39.0	$ 2.5

Long-Term Obligations

At the end of this year, the District had $38.4 million in obligations outstanding versus $44.4 million last year, a decrease of $6.0 million or 13.5 percent. Those obligations consisted of:

Table 5
Comparative Schedule of Outstanding Debt June 30, 2016 and 2015

(Amounts in millions)	Governmental Activities		
	2016	2015	Difference
General obligation bonds (Financed with property taxes)	$ 29.3	$ 30.5	$ (1.2)
Certificates of participation	6.7	11.8	(5.1)
Other postemployment benefits	2.1	1.8	0.3
Other	0.3	0.3	-
Total	$ 38.4	$ 44.4	$ (6.0)

The District continues to maintain sufficient credit ratings on its debt issues.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Obligations (Concluded)

The long-term obligations paid by the District in 2015-2016 were approximately $6.7 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2015-2016 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Liann Reyes, Assistant Superintendent of Business Services for the North Monterey County Unified School District 8142 Moss Landing Road; MossLanding, CA 95039-9617.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 29,491,881
Receivables	2,268,503
Prepaid expenses	14,410
Stores inventories	21,731
Nondepreciable capital assets	5,282,980
Capital assets being depreciated	86,644,663
Accumulated depreciation	(50,401,170)
Total Assets	73,322,998
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	8,542,624
LIABILITIES	
Accounts payable	3,824,809
Unearned revenue	442,579
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,540,435
Noncurrent portion of long-term obligations other than pensions	36,898,499
Total Long-Term Obligations	38,438,934
Aggregate net pension liability	36,308,056
Total Liabilities	79,014,378
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,316,075
NET POSITION	
Net investment in capital assets	14,760,283
Restricted for:	
Debt service	4,212,317
Capital projects	194,969
Educational programs	2,171,923
Other activities	1,606,534
Unrestricted	(27,410,857)
Total Net Position	$ (4,464,831)

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 31,333,139	$ 32,320	$ 6,240,210	$ (25,060,609)
Instruction-related activities:				
Supervision of instruction	2,487,908	5,865	988,262	(1,493,781)
Instructional library, media, and technology	396,164	-	-	(396,164)
School site administration	3,770,541	7,107	420,989	(3,342,445)
Pupil services:				
Home-to-school transportation	2,276,626	-	21,980	(2,254,646)
Food services	2,623,849	114,508	2,320,449	(188,892)
All other pupil services	3,295,742	1,280	768,319	(2,526,143)
Administration:				
Data processing	689,403	-	256	(689,147)
All other administration	2,844,230	8,525	477,488	(2,358,217)
Plant services	4,991,675	517	46,111	(4,945,047)
Ancillary services	359,680	-	3,046	(356,634)
Enterprise services	39,408	-	2,431	(36,977)
Interest on long-term obligations	1,384,383	-	-	(1,384,383)
Other outgo	1,439,169	-	1,948,341	509,172
Total Governmental Activities	$ 57,931,917	$ 170,122	$ 13,237,882	(44,523,913)
General revenues and subventions:				
Property taxes, levied for general purposes				15,393,094
Property taxes, levied for debt service				2,462,559
Taxes levied for other specific purposes				188,038
Federal and State aid not restricted to specific purposes				28,964,851
Interest and investment earnings				167,356
Miscellaneous				1,166,952
Subtotal, General Revenues				48,342,850
Change in Net Position				3,818,937
Net Position - Beginning as restated				(8,283,768)
Net Position - Ending				$ (4,464,831)

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 14,643,670	$ 9,279,992	$ 5,498,708
Receivables	1,463,003	18,778	781,115
Due from other funds	153,996	-	500,000
Prepaid expenditures	9,454	-	4,956
Stores inventories	-	-	21,731
Total Assets	$ 16,270,123	$ 9,298,770	$ 6,806,510
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,691,536	$ 23,630	$ 109,643
Due to other funds	576,259	-	153,996
Unearned revenue	436,038	-	6,541
Total Liabilities	4,703,833	23,630	270,180
Fund Balances:			
Nonspendable	14,454	-	26,687
Restricted	1,882,508	9,275,140	6,131,659
Assigned	8,170,028	-	377,984
Unassigned	1,499,300	-	-
Total Fund Balances	11,566,290	9,275,140	6,536,330
Total Liabilities and Fund Balances	$ 16,270,123	$ 9,298,770	$ 6,806,510

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

Total Governmental Funds
$ 29,422,370
2,262,896
653,996
14,410
21,731
$ 32,375,403

$ 3,824,809
730,255
442,579
4,997,643
41,141
17,289,307
8,548,012
1,499,300
27,377,760
$ 32,375,403

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds		**$ 27,377,760**
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	$ 91,927,643	
Accumulated depreciation is	(50,401,170)	
Net Capital Assets		41,526,473
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		151,377
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,185,799
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 average remaining service life of members receiving pension benefits.		1,040,494
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.		(2,510,919)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		94,441
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(583,266)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(36,308,056)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2016

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.		
General obligation bonds	$ 29,292,816	
Certificates of participation	6,715,000	
Capital leases	33,514	
Other postemployment benefits	2,123,227	
Compensated absences	24,993	
Early retirement	249,384	
Total Long-Term Obligations		$ (38,438,934)
Total Net Position - Governmental Activities		**$ (4,464,831)**

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 41,086,719	$ -
Federal sources	3,635,528	-
Other State sources	6,636,659	-
Other local sources	3,040,561	122,677
Total Revenues	54,399,467	122,677
EXPENDITURES		
Current		
Instruction	28,420,112	-
Instruction-related activities:		
Supervision of instruction	1,919,395	-
Instructional library, media and technology	351,191	-
School site administration	3,513,562	-
Pupil services:		
Home-to-school transportation	2,427,275	-
Food services	37,460	-
All other pupil services	2,984,273	-
Administration:		
Data processing	904,409	-
All other administration	2,509,527	-
Plant services	4,466,575	217,993
Facility acquisition and construction	267,570	4,042,975
Ancillary services	505,125	-
Other outgo	1,439,169	-
Enterprise services	57,019	-
Debt service		
Principal	15,537	-
Interest and other	3,137	-
Total Expenditures	49,821,336	4,260,968
Excess (Deficiency) of Revenues Over Expenditures	4,578,131	(4,138,291)
Other Financing Sources (Uses)		
Transfers in	-	412,126
Other sources	49,051	-
Transfers out	(1,092,049)	(68,654)
Net Financing Sources (Uses)	(1,042,998)	343,472
NET CHANGE IN FUND BALANCES	3,535,133	(3,794,819)
Fund Balance - Beginning	8,031,157	13,069,959
Fund Balance - Ending	$ 11,566,290	$ 9,275,140

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 41,086,719
2,645,950	6,281,478
1,385,230	8,021,889
3,270,322	6,433,560
7,301,502	61,823,646
1,054,119	29,474,231
216,779	2,136,174
-	351,191
174,753	3,688,315
-	2,427,275
2,418,236	2,455,696
115,127	3,099,400
-	904,409
203,016	2,712,543
4,239	4,688,807
49,658	4,360,203
-	505,125
-	1,439,169
(15,180)	41,839
6,350,000	6,365,537
1,906,765	1,909,902
12,477,512	66,559,816
(5,176,010)	(4,736,170)
1,160,703	1,572,829
-	49,051
(412,126)	(1,572,829)
748,577	49,051
(4,427,433)	(4,687,119)
10,963,763	32,064,879
$ 6,536,330	$ 27,377,760

NORTH MONTEREY COUNTY 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, 2016

Total Net Change in Fund Balances - Governmental Funds		**$ (4,687,119)**
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 capital outlays exceed depreciation in the period.		
Capital outlays	$ 5,377,256	
Depreciation expense	(2,922,635)	
Net Expense Adjustment		2,454,621
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.		(49,051)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and early retirement 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, the early retirement obligations paid were less than that granted by $93,038. Vacation earned was less than the amounts used by $87,662.		(5,376)
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.		(452,890)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(362,406)
In the government-wide financial statements, debt premiums and discounts, are deferred and amortized over the life of the debt using the straight line method.		
Amortization of debt premuim		34,053

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

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, 2016

Payment of principal on long-term 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	$ 1,225,000
Certificates of participation	5,125,000
Capital lease obligations	15,537
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.	525,519
An internal service fund is used by the District's management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	(3,951)
Change in Net Position of Governmental Activities	**$ 3,818,937**

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Self Insurance Internal Service Fund
ASSETS	
Deposits and investments	$ 69,511
Receivables	5,607
Due from other funds	76,259
Total Assets	151,377
NET POSITION	
Restricted	151,377
Total Net Position	$ 151,377

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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

	Self Insurance Internal Service Fund
OPERATING REVENUES	
Self insurance premiums	$ 442,510
OPERATING EXPENSES	
Services and other operating expenses	447,066
Operating Loss	(4,556)
NONOPERATING REVENUES	
Interest income	605
Change in Net Position	(3,951)
Total Net Position - Beginning	155,328
Total Net Position - Ending	$ 151,377

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Self Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts for self insurance premiums	$ 361,323
Cash payments for services and other operating expenses	(447,066)
Net Cash Used for Operating Activities	(85,743)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	605
Net Cash Provided by Investing Activities	605
Net Decrease in Cash and Cash Equivalents	(85,138)
Cash and Cash Equivalents - Beginning	154,649
Cash and Cash Equivalents - Ending	$ 69,511
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (4,556)
Changes in assets and liabilities:	
Receivables	(4,928)
Due from other funds	(76,259)
NET CASH USED FOR OPERATING ACTIVITIES	$ (85,743)

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Agency Funds
ASSETS	
Deposits and investments	$ 180,017
Total Assets	$ 180,017
LIABILITIES	
Due to student groups	$ 180,017
Total Liabilities	$ 180,017

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The North Monterey County Unified School District was organized on July 1, 1977, under the laws of the State of California. The District operates under a locally-elected seven-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 four elementary schools, one middle school, one comprehensive high school, an independent study program, one continuation school, and an adult education 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 North Monterey County 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.

Two 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, and Fund 14, Deferred Maintenance Fund, 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 consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balance, revenues, and expenditures of $1,392,740, $65,656, $1,327,084, $940,622, and $680,269, respectively.

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.

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.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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).

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).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

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).

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligations.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self Insurance Fund that is accounted for in an internal service fund that accounts for dental and vision coverage.

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 District's fiduciary fund category is agency 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.

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, and program revenues 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*, except for depreciation. 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 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 the 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs 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 LEAs 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.

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 60 days. Principal and interest on 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 entity-wide statements.

Investments

Investments held at June 30, 2016, 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 county and State investment pools 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 funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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 type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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 capital assets is 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.

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.

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 as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

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.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method.

In governmental fund financial statements, debt premiums and discounts, as well as issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

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 pension related items.

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 pension related items.

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, 2016, 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 assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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

In the fiscal year 2011-2012, the Governing Board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-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. The District has no related debt outstanding as of June 30, 2016. 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 $8,185,743 of restricted net position.

Interfund Activity

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general revenues.

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 activities column 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.

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 Monterey bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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 District has implemented the provisions of this Statement as of June 30, 2016.

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 provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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 District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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.

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*.

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.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$ 29,491,881
Fiduciary funds	180,017
Total Deposits and Investments	$ 29,671,898

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 361,893
Cash in revolving	5,000
Investments	29,305,005
Total Deposits and Investments	$ 29,671,898

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.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 29,295,138	$ -	$ 29,295,138	$ -	$ -

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, 2016, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Monterey County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 655,003	$ -	$ 434,297	$ -	$ 1,089,300
State Government					
State grants and entitlements	615,232	-	188,605	-	803,837
Local Sources	192,768	18,778	158,213	5,607	375,366
Total	$ 1,463,003	$ 18,778	$ 781,115	$ 5,607	$ 2,268,503

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	Balance July 1, 2015 Restated	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,061,512	$ -	$ -	$ 1,061,512
Construction in process as restated	799,753	3,764,001	342,286	4,221,468
Total Capital Assets Not Being Depreciated	1,861,265	3,764,001	342,286	5,282,980
Capital Assets Being Depreciated				
Land improvements	8,736,944	207,965	-	8,944,909
Buildings and improvements	70,319,500	710,093	-	71,029,593
Furniture and equipment	5,632,678	1,037,483	-	6,670,161
Total Capital Assets Being Depreciated	84,689,122	1,955,541	-	86,644,663
Less Accumulated Depreciation				
Land improvements	7,695,457	83,542	-	7,778,999
Buildings and improvements	35,424,375	2,498,345	-	37,922,720
Furniture and equipment	4,358,703	340,748	-	4,699,451
Total Accumulated Depreciation	47,478,535	2,922,635	-	50,401,170
Governmental Activities Capital Assets, Net	$39,071,852	$ 2,796,907	$ 342,286	$ 41,526,473

Depreciation expense was charged to functional expenditures as follows:

Governmental Activities	
Instruction	$ 1,578,223
Instructional supervision and administration	321,490
Instructional library, media, and technology	29,226
Home-to-school transportation	116,905
Food services	146,132
All other other pupil services	175,358
All other general administration	175,358
Plant services	379,943
Total Depreciation Expenses, Governmental Activities	$ 2,922,635

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 153,996	$ 576,259
Non-Major Governmental Funds		
Child Development	-	32,664
Cafeteria	-	121,332
Debt Service	500,000	-
Total Non-Major Governmental Funds	500,000	153,996
Self Insurance	76,259	-
Total All Governmental Funds	$ 730,255	$ 730,255

The General Fund owes the Debt Service Fund for Board approved Certificates of Participation payments.	$ 500,000
The General Fund owes the Self Insurance Fund for increased costs.	76,259
The Child Development Fund owes the General Fund for indirect costs.	32,664
The Cafeteria Fund owes the General Fund for indirect costs.	121,332
Total	$ 730,255

Operating Transfers

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. Interfund transfers for the year ended June 30, 2016, consist of the following:

The General Fund transferred to the Debt Service Fund for Board approved future Certificates of Participation payments.	$ 1,074,755
The General Fund transferred to the Child Development Fund for fee based preschool prior year ending balance.	17,294
The Building Fund transferred to the Debt Service Fund for Board approved future Certificates of Participation payments.	68,654
The Debt Service Fund transferred to the Building Fund to correct a prior entry.	412,126
Total	$ 1,572,829

NOTE 7 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2016, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Membership dues and fees	$ 9,454	$ 4,956	$ 14,410

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consists of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	$ 1,342,255	$ 23,630	$ 5,098	$ 1,370,983
Accrued payroll	1,548,145	-	104,545	1,652,690
State principal apportionment	801,136	-	-	801,136
Total	$ 3,691,536	$ 23,630	$ 109,643	$ 3,824,809

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 336,417	$ 6,541	$ 342,958
State financial assistance	99,621	-	99,621
Total	$ 436,038	$ 6,541	$ 442,579

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	$ 29,915,000	$ -	$ 1,225,000	$ 28,690,000	$ 850,000
Bond premiums	636,869	-	34,053	602,816	-
Certificates of Participation	11,840,000	-	5,125,000	6,715,000	575,000
Capital leases	-	49,051	15,537	33,514	16,336
Other postemployment benefits	1,760,821	516,621	154,215	2,123,227	-
Compensated absences	112,655	-	87,662	24,993	-
Early retirement	156,346	149,619	56,581	249,384	99,099
Total	$ 44,421,691	$ 715,291	$ 6,698,048	$ 38,438,934	$ 1,540,435

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments for the Certificates of Participation are made by the Debt Service Fund. The capital leases are paid by the General Fund. The compensated absences, other postemployment benefits obligation, and early retirement obligation will be paid by the fund for which the employee worked.

Bonded Debt

On February 10, 2005, the District issued Election of 2002, Series B General Obligation Bonds in the principal amount of $13,750,000. The Bonds were issued to finance capital projects for the District. The bonds were issued as current interest bonds with interest payable semiannually on February 1 and August 1 of each year, commencing August 1, 2005. The Bonds mature through August 1, 2029.

On October 23, 2012, the District issued 2012 General Obligation Refunding Bonds in the principal amount of $4,425,000. The Bonds were issued to refund, on an advance basis, the portion of the District's outstanding Election of 2002, Series A General Obligation Bonds maturing on and after August 1, 2014, and to pay the costs of issuance of the Bonds. The Bonds mature through August 1, 2027.

On May 14, 2014, the District issued Election of 2013, Series A General Obligation Bonds in the principal amount of $15,500,000. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. The bonds were issued as current interest bonds with interest payable semiannually on May 1 and November 1 of each year, commencing November 1, 2014. The Bonds mature through May 1, 2044.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2015	Redeemed	Bonds Outstanding June 30, 2016
2005	2030	2.50-4.75	$ 13,750,000	$ 10,840,000	$ 505,000	$ 10,335,000
2013	2028	2.50	4,425,000	4,100,000	265,000	3,835,000
2014	2044	2.00-4.00	15,500,000	14,975,000	455,000	14,520,000
Total				$ 29,915,000	$ 1,225,000	$ 28,690,000

Debt Service Requirements to Maturity

The 2002, Series B General Obligation Bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 535,000	$ 461,537	$ 996,537
2018	560,000	438,238	998,238
2019	590,000	412,363	1,002,363
2020	620,000	385,137	1,005,137
2021	650,000	358,187	1,008,187
2022-2026	3,765,000	1,315,249	5,080,249
2027-2030	3,615,000	354,469	3,969,469
Total	$ 10,335,000	$ 3,725,179	$ 14,060,179

The 2012 General Obligation Bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 275,000	$ 92,439	$ 367,439
2018	285,000	85,437	370,437
2019	290,000	78,250	368,250
2020	295,000	70,937	365,937
2021	310,000	63,375	373,375
2022-2026	1,655,000	195,938	1,850,938
2027-2028	725,000	18,186	743,186
Total	$ 3,835,000	$ 604,562	$ 4,439,562

The 2013, Series A General Obligation Bonds mature through 2044 as follows:

Maturity	Principal	Interest to Maturity	Total
2017	$ 40,000	$ 614,456	$ 654,456
2018	60,000	613,256	673,256
2019	80,000	610,856	690,856
2020	100,000	607,656	707,656
2021	120,000	603,656	723,656
2022-2026	965,000	2,964,901	3,929,901
2027-2031	1,760,000	2,764,250	4,524,250
2032-2036	2,990,000	2,241,750	5,231,750
2037-2041	4,700,000	1,360,200	6,060,200
2042-2044	3,705,000	300,200	4,005,200
Total	$ 14,520,000	$ 12,681,181	$ 27,201,181

Certificates of Participation

On May 23, 2006, the District issued 2006 Certificates of Participation in the principal amount of $5,300,000. The Certificates were issued to provide funds to finance the construction of improvements to educational facilities of the District, to pay costs of executing and delivering the Certificates, and to fund a reserve for the lease payments. Interest on the Certificates ranges from 4.00 to 4.90 percent and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2007. During the 2015-2016 fiscal year, the District prepaid the remaining principal balance of these Certificates.

On July 14, 2010, the District issued 2010 Certificates of Participation in the principal amount of $10,000,000. The Certificates are designated as Qualified School Construction Bonds under which the District receives Federal subsidy payments which are pledged to the payment of interest on the Certificates. The Certificates were issued to finance various capital projects of the District, to fund a reserve fund surety for the lease payments, and to pay costs of executing and delivering the Certificates. Interest on the Certificates ranges from 5.75 to 7.00 percent and is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2010.
The 2010 Certificates of Participation mature through 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 575,000	$ 452,324	$ 1,027,324
2018	580,000	414,950	994,950
2019	585,000	377,250	962,250
2020	595,000	339,224	934,224
2021	600,000	300,550	900,550
2022-2026	3,130,000	1,188,150	4,318,150
2027	650,000	221,900	871,900
Total	$ 6,715,000	$ 3,294,348	$ 10,009,348

Capital Leases

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

	Capital Leases
Balance, July 1, 2015	$ -
Additions	49,051
Payments	15,537
Balance, June 30, 2016	$ 33,514

The capital lease has a minimum lease payment as follows:

Year Ending June 30,	Lease Payment
2016	$ 17,649
2017	17,650
Total payments	35,299
Less: Amount Representing Interest	1,785
Present Value of Minimum Lease Payments	$ 33,514

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $437,384, and contributions made by the District during the year were $67,137. Interest on the net OPEB obligation and adjustments to the annual required contribution were $79,237 and $(87,078), respectively, which resulted in an increase to the net OPEB obligation of $362,406. As of June 30, 2016, the net OPEB obligation was $2,123,227. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2016, amounted to $24,993.

Early Retirement Obligations

The Governing Board has offered early retirement incentive programs to certificated and classified employees meeting certain negotiated criteria. The early retirement incentives were implemented as a cost savings strategy and required no further services to be performed by the retiree.

In the current year, seven certificated employees accepted early retirement incentives. A total of 17 retirees are currently receiving benefits under various agreements. The projected costs for current participants for future years are accrued as long-term obligations in the District's Government-wide financial statements are as follows:

Year Ending June 30,	Obligation
2017	$ 99,099
2018	92,401
2019	52,214
2020	2,835
2021	2,835
Total	$ 249,384

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Stores inventory	-	-	21,731	21,731
Prepaid expenditures	9,454	-	4,956	14,410
Total Reserved	14,454	-	26,687	41,141
Restricted				
Legally restricted programs	1,882,508	-	1,724,373	3,606,881
Capital projects	-	9,275,140	194,969	9,470,109
Debt service	-	-	4,212,317	4,212,317
Total Restricted	1,882,508	9,275,140	6,131,659	17,289,307
Assigned				
Supplemental concentration 2015-2016 orders received	203,093	-	-	203,093
One-time money: 2015-2016 planned expenses	1,135,218	-	-	1,135,218
ROP equipment 2015-2016 carryover	110,236	-	-	110,236
Credit recovery program	138,892	-	-	138,892
Two year salary increase - all groups	1,432,000	-	-	1,432,000
Special Education transition vans	80,000	-	-	80,000
Bus replacements	430,000	-	-	430,000
Additional 2016-2017 teachers due to growth	180,000	-	-	180,000
Special Education contingency 5.5%	352,447	-	-	352,447
CalPERS/CalSTRS increase 2017-2018 through 2019-2020	1,635,113	-	-	1,635,113
2017-2018 deficit spending	1,068,596	-	-	1,068,596
Athletic equipment carryover	225,099	-	-	225,099
Deferred maintenance projects	1,179,334	-	-	1,179,334
Child development programs	-	-	233,095	233,095
Enterprise expenditures	-	-	144,889	144,889
Total Assigned	8,170,028	-	377,984	8,548,012
Unassigned				
Reserve for economic uncertainties	1,499,300	-	-	1,499,300
Total	$ 11,566,290	$ 9,275,140	$ 6,536,330	$ 27,377,760

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the North Monterey County Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of retirees and beneficiaries currently receiving benefits, terminated plan members entitled to but not yet receiving benefits, and 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 North Monterey County Federation of Teachers (Local 4008), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed $67,137 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost 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	$ 437,384
Interest on net OPEB obligation	79,237
Adjustment to annual required contribution	(87,078)
Annual OPEB cost	429,543
Contributions made	(67,137)
Increase in net OPEB obligation	362,406
Net OPEB obligation, beginning of year	1,760,821
Net OPEB obligation, end of year	$ 2,123,227

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
2016	$ 429,543	$ 67,137	15.63%	$ 2,123,227
2015	429,656	97,246	23.00%	1,760,821
2014	349,370	77,458	22.00%	1,428,411

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 Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2015	$ -	$ 3,862,075	$ 3,862,075	0.00%	$ 21,076,950	18.32%

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 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.

In the May 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 24 years.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Monterey and San Benito Counties Property/Liability Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS). The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of PIPS. Participation in PIPS is limited to districts that can meet PIPS selection criteria.

Employee Medical Benefits

The District is a member of California's Valued Trust (CVT). CVT is a Joint Powers Authority formed out of the California Government Code which allows public agencies to jointly maintain and operate an agency that serves a common purpose. One of the programs offered by CVT that the District participates in is Vision and Dental benefits for school employees. Some of the programs are self-insured while others are fully-insured or a combination of both. The coverage year for the Vision and Dental programs run from January 1 through December 31. The District also self-insures all non-CSEA employees and all retirees for Dental and Vision Benefits and has contracted with Keenan & Associates to provide administration for related claims.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 26,815,220	$ 5,431,778	$ 4,746,753	$ 2,229,646
CalPERS	9,492,836	3,110,846	2,569,322	1,178,705
Total	$ 36,308,056	$ 8,542,624	$ 7,316,075	$ 3,408,351

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, 2014, 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.

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, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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 precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $2,176,580.

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

At June 30, 2016, 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	$ 26,815,220
State's proportionate share of the net pension liability associated with the District	14,182,295
Total	$ 40,997,515

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.0398 percent and 0.0376 percent, resulting in a net increase in the proportionate share of 0.0022 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,229,646. In addition, the District recognized pension expense and revenue of $1,098,578 for support provided by the State. At June 30, 2016, 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	$ 2,176,580	$ -
Net change in proportionate share of net pension liability	1,142,410	-
Difference between projected and actual earnings on pension plan investments	2,112,788	4,298,664
Differences between expected and actual experience in the measurement of the total pension liability	-	448,089
Total	$ 5,431,778	$ 4,746,753

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (904,691)
2018	(904,691)
2019	(904,691)
2020	528,197
Total	$ (2,185,876)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 115,720
2018	115,720
2019	115,720
2020	115,720
2021	115,720
Thereafter	115,721
Total	$ 694,321

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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 ten-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%)	$ 40,488,895
Current discount rate (7.60%)	$ 26,815,220
1% increase (8.60%)	$ 15,451,293

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
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 precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above and the total District contributions were $1,009,219.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $9,492,836. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.0644 percent and 0.0653 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,178,705. At June 30, 2016, 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	$ 1,009,219	$ -
Net change in proportionate share of net pension liability	-	101,916
Difference between projected and actual earnings on pension plan investments	1,559,097	1,884,140
Differences between expected and actual experience in the measurement of the total pension liability	542,530	-
Changes of assumptions	-	583,266
Total	$ 3,110,846	$ 2,569,322

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (238,272)
2018	(238,272)
2019	(238,272)
2020	389,773
Total	$ (325,043)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (49,191)
2018	(49,191)
2019	(44,270)
Total	$ (142,652)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 15,450,382
Current discount rate (7.65%)	$ 9,492,836
1% increase (8.65%)	$ 4,538,739

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

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 $1,205,423 (7.12589 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.

NOTE 15 - 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, 2016.

Litigation

The District is involved in one case of litigation. In the opinion of legal counsel it is too early in this litigation to make an evaluation of the outcome, however, the disposition of the claim is not expected to have a material adverse effect on the overall financial position of the District.

Operating Leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
North Monterey County High School concrete walk	$ 18,000	12/1/16
North Monterey County High School fiber and data cable installation	24,350	7/1/16
North Monterey County High School re-roofing project	299,402	7/1/16
North Monterey County High School library modernization	273,180	7/1/16
North Monterey County High School gym flooring and bleachers	463,434	7/1/16
Total	$ 1,078,366	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Monterey and San Benito Counties Property/Liability Joint Powers Authority (MC/SB P&L JPA), the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS), and California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to the pools for its property/liability, workers' compensation, and health and welfare coverage. The relationships between the District and the pools are such that the pools are not component units of the District for financial reporting purposes.

The pools have budgeting and financial reporting requirements independent of their member units and their financial statements are not presented in these financial statements; however, fund transactions between the pools and the District are included in these statements.

During the year ended June 30, 2016, the District made payments of $276,624 to MC/SB P&L JPA for property/liability coverage, $902,791 to PIPS for workers' compensation coverage, and $3,148,431 to CVT for health and welfare coverage.

NOTE 17 - SUBSEQUENT EVENTS

On August 3, 2016, the District issued Election of 2013, Series B General Obligation Bonds in the principal amount of $8,300,000. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. Interest on the bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2016.

On August 3, 2016, the District also issued 2016 General Obligation Refunding Bonds in the principal amount of $8,340,000. The Bonds were issued to refund, on a current basis, the District's outstanding Election of 2002, Series B General Obligation Bonds maturing on and after August 1, 2017, and to pay the costs of issuance of the Bonds.

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District overstated the prior year construction in process. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ (7,498,903)
Restatement - construction in process	(784,865)
Net Position - Beginning as restated	$ (8,283,768)

REQUIRED SUPPLEMENTARY INFORMATION

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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 40,117,794	$ 40,486,719	$ 41,086,719	$ 600,000
Federal sources	3,132,821	3,635,528	3,635,528	-
Other State sources	4,128,515	6,412,414	6,636,659	224,245
Other local sources	2,071,103	3,043,826	3,040,561	(3,265)
Total Revenues [1]	49,450,233	53,578,487	54,399,467	820,980
EXPENDITURES				
Current				
Certificated salaries	21,639,621	21,303,774	20,574,233	729,541
Classified salaries	8,556,216	8,437,758	8,436,476	1,282
Employee benefits	9,007,559	9,765,649	9,515,597	250,052
Books and supplies	4,421,772	6,368,551	4,211,788	2,156,763
Services and operating expenditures	3,847,153	5,210,444	4,566,021	644,423
Other outgo	1,703,183	1,790,091	1,236,154	553,937
Capital outlay	858,089	2,069,638	1,262,393	807,245
Debt service - principal	-	-	15,537	(15,537)
Debt service - interest	-	-	3,137	(3,137)
Total Expenditures [1]	50,033,593	54,945,905	49,821,336	5,124,569
Excess (Deficiency) of Revenues Over Expenditures	(583,360)	(1,367,418)	4,578,131	5,945,549
Other Financing Sources (Uses)				
Transfers in	-	190,938	-	(190,938)
Other sources	-	-	49,051	49,051
Transfers out	-	(500,000)	(1,092,049)	(592,049)
Net Financing Sources (Uses)	-	(309,062)	(1,042,998)	(733,936)
NET CHANGE IN FUND BALANCES	(583,360)	(1,676,480)	3,535,133	5,211,613
Fund Balance - Beginning	8,031,157	8,031,157	8,031,157	-
Fund Balance - Ending	$ 7,447,797	$ 6,354,677	$ 11,566,290	$ 5,211,613

[1] Due to the consolidation of Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying notes to required supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2015	$ -	$ 3,862,075	$ 3,862,075	0.00%	$ 21,076,950	18.32%
February 1, 2013	$ -	$ 3,271,870	$ 3,271,870	0.00%	$ 20,512,850	15.95%
February 1, 2013	$ -	$ 3,271,870	$ 3,271,870	0.00%	$ 19,915,390	16.43%

See accompanying notes to required supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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

	2016	2015
CalSTRS		
District's proportion of the net pension liability (asset)	0.0398%	0.0376%
District's proportionate share of the net pension liability (asset)	$ 26,815,220	$ 22,206,059
State's proportionate share of the net pension liability (asset) associated with the District	14,182,295	13,408,018
Total	$ 40,997,515	$ 35,614,077
District's covered - employee payroll	$ 19,105,518	$ 16,916,123
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	140.35%	131.27%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability (asset)	0.0644%	0.0653%
District's proportionate share of the net pension liability (asset)	$ 9,492,836	$ 7,413,140
District's covered - employee payroll	$ 7,490,740	$ 6,876,402
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	126.73%	107.81%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying notes to required supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

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

	2016	2015
CalSTRS		
Contractually required contribution	$ 2,176,580	$ 1,696,570
Contributions in relation to the contractually required contribution	2,176,580	1,696,570
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 20,284,995	$ 19,105,518
Contributions as a percentage of covered - employee payroll	10.73%	8.880%
CalPERS		
Contractually required contribution	$ 1,009,219	$ 881,735
Contributions in relation to the contractually required contribution	1,009,219	881,735
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 8,518,773	$ 7,490,740
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

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

See accompanying notes to required supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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SUPPLEMENTARY INFORMATION

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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Identification Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
No Child Left Behind Act			
Title I - Part A Programs			
Title I - Part A, Basic Grant	84.010	14329	$ 1,251,209
Title I - Part A, School Improvement Grant	84.010	14955	298,524
Subtotal Title I - Part A Programs			1,549,733
Title I - Migrant Education Programs			
Title I - Part C, Migrant Education	84.011	14838	471,563
Title I - Part C, Migrant Education Summer	84.011	10005	236,412
Subtotal Title I - Migrant Education Programs			707,975
Title I - Part G, Advance Placement Fee Program	84.330B	14831	9,430
Title II - Improving Teacher Quality	84.367	14341	199,866
Title III - Limited English Proficiency	84.365	14346	234,314
Vocational Programs: Technology Secondary II C	84.048	14894	39,735
IDEA - Basic Local Assistance	84.027	13379	735,596
Total U.S. Department of Education			3,476,649
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Programs:			
Medi-Cal Billing Option	93.778	10013	(5,162)
Medi-Cal Administrative Activities	93.778	10060	164,041
Subtotal Medicaid Programs			158,879
Total U.S. Department of Health and Human Services			158,879
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child and Adult Care Food Program	10.558	13393	24,825
Child Nutrition Cluster:			
National School Lunch	10.555	13391	1,481,474
Especially Needy Breakfast	10.553	13526	654,988
Meals Supplements - Snacks	10.555	13391	49,949
Summer Food Program	10.559	13004	65,606
Food Distribution - Commodities	10.555	13391	148,749
Subtotal Child Nutrition Cluster			2,400,766
Total U.S. Department of Agriculture			2,425,591
Total Expenditures of Federal Awards			$ 6,061,119

See accompanying note to supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

North Monterey County Unified School District was organized on July 1, 1977, following a unification election in the former North Monterey County Union School District. The District consists of four elementary schools, one middle school, one comprehensive high school, an independent study program, a continuation school and an adult education program.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Linda Lines	President	2017
Martha Chavarria	Vice President	2019
Elizabeth Samuels	Clerk	2019
Lillian Mulvey	Member	2019
Adrian Ayala	Member	2017

ADMINISTRATION

Kari Yeater	Superintendent and Secretary of Board
Liann Reyes	Assistant Superintendent Business Services

See accompanying note to supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,390.93	1,397.36
Fourth through sixth	1,030.30	1,029.75
Seventh and eighth	625.84	621.99
Ninth through twelfth	1,249.25	1,237.25
Total Regular ADA	4,296.32	4,286.35
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.74	1.74
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.31	0.73
Total ADA	4,298.37	4,288.82

See accompanying note to supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-1987 Minutes Requirement	2015-2016 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,161	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,161	180	N/A	Complied
Grade 2		55,161	180	N/A	Complied
Grade 3		55,161	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,161	180	N/A	Complied
Grade 5		55,168	180	N/A	Complied
Grade 6		55,168	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,072	180	N/A	Complied
Grade 8		56,072	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,830	180	N/A	Complied
Grade 10		64,830	180	N/A	Complied
Grade 11		64,830	180	N/A	Complied
Grade 12		64,830	180	N/A	Complied

N/A - Not Applicable

See accompanying note to supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 [1,4]	2016 [4]	2015 [4]	2014 [4]
GENERAL FUND				
Revenues	$ 52,431,936	$ 53,458,844	$ 43,760,420	$ 39,542,490
Other sources and transfers in	-	239,989	-	-
Total Revenues and Other Sources [3]	52,431,936	53,698,833	43,760,420	39,542,490
Expenditures	53,090,124	49,141,066	41,455,852	38,785,062
Other uses and transfers out	60,000	1,074,755	247,676	1,024,075
Total Expenditures and Other Uses [3]	53,150,124	50,215,821	41,703,528	39,809,137
INCREASE/(DECREASE) IN FUND BALANCE	$ (718,188)	$ 3,483,012	$ 2,056,892	$ (266,647)
ENDING FUND BALANCE	$ 9,521,018	$ 10,239,206	$ 6,756,194	$ 4,699,302
AVAILABLE RESERVES [2]	$ 1,594,600	$ 1,499,300	$ 1,252,000	$ 2,380,970
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	3.0%	3.0%	6.0%
LONG-TERM OBLIGATIONS	Not Available	$ 38,438,934	$ 44,421,691	$ 45,207,984
AVERAGE DAILY ATTENDANCE AT P-2	4,299	4,298	4,232	4,151

The General Fund balance has increased by $5,539,904 over the past two years. The fiscal year 2016-2017 budget projects a decrease of $718,188 (7.0 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have decreased by $6,769,050 over the past two years.

Average daily attendance has increased by 147 over the past two years. Additional growth of one ADA is anticipated during fiscal year 2016-2017.

[1] Budget 2017 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 have been excluded from revenues and expenditures for the fiscal years ending June 30, 2015, and 2014.

[4] General Fund amounts do not include activity related to the consolidation of the Adult Education, and the Deferred Maintenance Funds as required by GASB Statement No. 54.

See accompanying note to supplementary information.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 334,727	$ 1,260,072	$ 195,606
Receivables	313,946	462,804	351
Due from other funds	-	-	-
Prepaid expenses	-	4,956	-
Stores inventories	-	21,731	-
Total Assets	$ 648,673	$ 1,749,563	$ 195,957
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 93,499	$ 15,156	$ 988
Due to other funds	32,664	121,332	-
Unearned revenue	-	6,541	-
Total Liabilities	126,163	143,029	988
Fund Balances:			
Nonspendable	-	26,687	-
Restricted	289,415	1,434,958	194,969
Assigned	233,095	144,889	-
Total Fund Balances	522,510	1,606,534	194,969
Total Liabilities and Fund Balances	$ 648,673	$ 1,749,563	$ 195,957

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ 1,551,817	$ 2,156,486	$ 5,498,708
-	4,014	781,115
-	500,000	500,000
-	-	4,956
-	-	21,731
$ 1,551,817	$ 2,660,500	$ 6,806,510
$ -	$ -	$ 109,643
-	-	153,996
-	-	6,541
-	-	270,180
-	-	26,687
1,551,817	2,660,500	6,131,659
-	-	377,984
1,551,817	2,660,500	6,536,330
$ 1,551,817	$ 2,660,500	$ 6,806,510

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ 24,825	$ 2,252,017	$ -
Other State sources	1,175,755	189,349	-
Other local sources	508,207	193,355	61,568
Total Revenues	1,708,787	2,634,721	61,568
EXPENDITURES			
Current			
Instruction	1,054,119	-	-
Instruction-related activities:			
Supervision of instruction	216,779	-	-
School site administration	174,753	-	-
Pupil services:			
Food services	24,825	2,393,411	-
All other pupil services	115,127	-	-
Administration:			
All other administration	81,684	121,332	-
Plant services	714	2,230	1,295
Facility acquisition and construction	9,943	39,715	-
Enterprise services	-	(15,180)	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,677,944	2,541,508	1,295
Excess (Deficiency) of Revenues Over Expenditures	30,843	93,213	60,273
Other Financing Sources (Uses)			
Transfers in	17,294	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	17,294	-	-
NET CHANGE IN FUND BALANCES	48,137	93,213	60,273
Fund Balance - Beginning	474,373	1,513,321	134,696
Fund Balance - Ending	$ 522,510	$ 1,606,534	$ 194,969

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ 369,108	$ 2,645,950
20,126	-	1,385,230
2,464,045	43,147	3,270,322
2,484,171	412,255	7,301,502
-	-	1,054,119
-	-	216,779
-	-	174,753
-	-	2,418,236
-	-	115,127
-	-	203,016
-	-	4,239
-	-	49,658
-	-	(15,180)
1,225,000	5,125,000	6,350,000
1,210,894	695,871	1,906,765
2,435,894	5,820,871	12,477,512
48,277	(5,408,616)	(5,176,010)
-	1,143,409	1,160,703
-	(412,126)	(412,126)
-	731,283	748,577
48,277	(4,677,333)	(4,427,433)
1,503,540	7,337,833	10,963,763
$ 1,551,817	$ 2,660,500	$ 6,536,330

NORTH MONTEREY COUNTY 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 the fair market value of commodities that are not reported in the financial statements and a Qualified School Construction Bond Federal Subsidy.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 6,281,478
Reconciling items:		
Food Distribution - Commodities	10.555	148,749
Qualified School Construction Bond Federal Subsidy	NA	(369,108)
Total Schedule of Expenditures of Federal Awards		$ 6,061,119

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

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 is 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.

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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
North Monterey County Unified School District
Moss Landing, 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 North Monterey County Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise North Monterey County Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Monterey County 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 North Monterey County Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Monterey County 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Monterey County 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 North Monterey County Unified School District in a separate letter dated December 14, 2016.

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.

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on Compliance for Each Major Federal Program

We have audited North Monterey County Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Monterey County Unified School District's (the District) major Federal programs for the year ended June 30, 2016. North Monterey County 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Monterey County 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 North Monterey County 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 North Monterey County Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, North Monterey County 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, 2016.

Report on Internal Control Over Compliance

Management of North Monterey County 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 North Monterey County 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 the Uniform Guidance, 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 North Monterey County 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on State Compliance

We have audited North Monterey County Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 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 North Monterey County Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the North Monterey County 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 *2015-2016 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 North Monterey County 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. Our audit does not provide a legal determination of North Monterey County Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, North Monterey County 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, 2016.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	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
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	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 did not offer the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

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

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I - Part A Programs
84.027	IDEA, Basic Local Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

None reported.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no audit findings reported in the prior year's schedule of financial statement findings.

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Governing Board
North Monterey County Unified School District
Moss Landing, California

In planning and performing our audit of the financial statements of North Monterey County Unified School District for the year ended June 30, 2016, 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 14, 2016, on the government-wide financial statements of the District.

NORTH MONTEREY COUNTY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

While auditing the cash receipts system, we discovered that sub-receipts are not always used or are not always turned in with the funds deposited to the bookkeeper (there is no supporting documentation) to document when money is being turned in, how much money, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

Recommendation

Prenumbered receipts should be issued for all cash collections by teacher, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit.

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Cash Disbursements

Observation

During our audit of cash disbursements procedures at the site, we found several disbursement requests were dated after the date on the invoice.

Recommendation

In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased.

Master Ticket Log

Observation

During our audit, we found that a master ticket log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

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. The log should be used in conjunction with a ticket sales recap form.

Inventory

Observation

During our audit, we discovered that items for sale did not have an inventory available for review. When inventory is not tracked and reconciled to sales made, it is impossible to determine if all money was received for products sold.

Recommendation

Whenever items are purchased in bulk to be sold at a later date, a process must be in place to track items on hand, items sold, and reconcile that to the amount of money received. The software used by the bookkeeper does have an inventory module that can be used for this but the information in there is inaccurate and incomplete. The site should review this module and update the information to accurately track the items that are available for sale to ensure all items and revenue are accounted for. Quarterly blind inventory counts should be performed and any discrepancies noted should be documented and sufficiently explained.

Revenue Potentials

Observation

During our audit, we discovered that revenue potential forms are on file, but with only preliminary "potential" income reported. The "recap" portion of the form that lists actual collections, compares actual income to the potential, and provides for discrepancies, is not being completed.

Recommendation

The site should implement procedures in which all revenue potential forms are completed in full. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

Budgeting

Observation

During our audit, we found that the student body organization at the site does not incorporate a budget for all clubs into their control procedures as suggested in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The manual suggests preparing budgets to control and monitor the financial activities of the student body organizations. The ASB (including all clubs) should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.
- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.
- The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

Governing Board
North Monterey County Unified School District

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2016