NORTH MONTEREY COUNTY
UNIFIED SCHOOL DISTRICT
COUNTY OF MONTEREY
MOSS LANDING, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
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 North Monterey County Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Monterey County Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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Emphasis of Matter

Change in Accounting Principle

As described in Note 11 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of $29.6 million at June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 59 through 62 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 financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the North Monterey County Unified School District's internal control over financial reporting and 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.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

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, 2015. 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 on page 1, notes to the basic 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 $2.6 million, ending the year with available reserves of $1.3 million meeting the State recommended reserve level of 3%.

- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $87.3 million. After depreciation, the June 30, 2015 book value for fixed assets totaled $39.9 million.

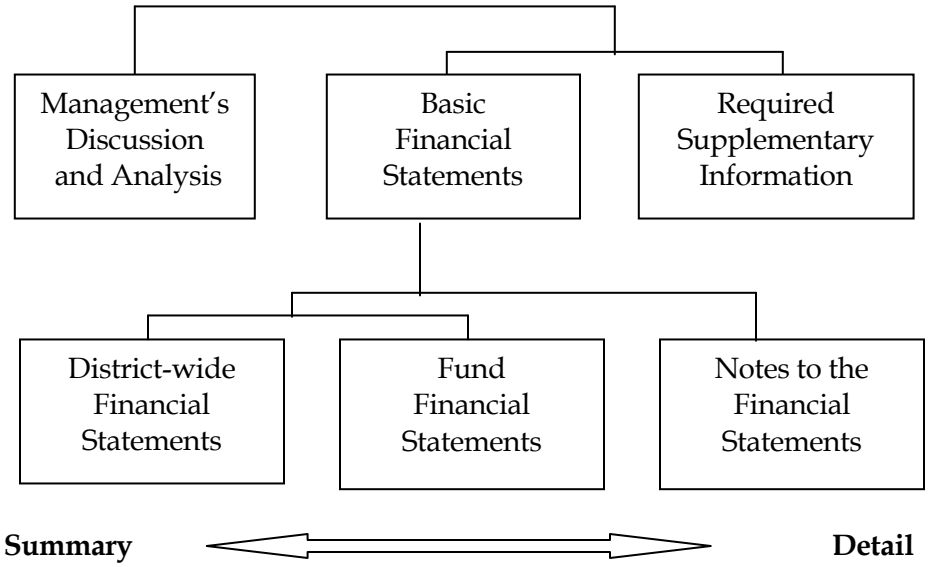
- In complying with GASB 68, the District is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the District to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by $34.6 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 and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

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 are the General Fund, Debt Service Fund and Building 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 $7.5 million at June 30, 2015. Of this amount $12.1 million was restricted. Net investment in capital assets, account for $11.2 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

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	$ 35,528,406	$ 33,887,723
Receivables	2,729,563	4,594,416
Stores inventory	18,335	36,038
Prepaid expenditures	3,450	243,488
Capital assets	39,856,717	40,945,172
Total assets	78,136,471	79,706,837
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	3,006,020	0
LIABILITIES		
Deficit cash		83,664
Accounts payable and other current liabilities	5,463,446	6,625,121
Unearned revenue	1,121,620	64,418
Other postemployment benefits	1,760,821	
Net pension liability	29,619,199	
Unamortized bond premiums	636,869	
Long-term liabilities	42,024,001	45,207,984
Total liabilities	80,625,956	51,981,187
DEFERRED INFLOWS OF RESOURCES		
Deferred earnings on pension plan investments	8,015,438	0
NET POSITION		
Net investment in capital assets	11,171,676	12,250,196
Restricted	12,108,715	12,699,420
Unrestricted (deficit)	(30,779,294)	2,776,034
Total net position (deficit)	$ (7,498,903)	$ 27,725,650

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District as a Whole (Continued)

The District's net position was $7.5 million for the fiscal year ended June 30, 2015. Of this amount, a deficit $30.8 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 debt of $42 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 debt also includes liabilities for employee compensated absences and early retirement incentives. Additionally, the District has issued $15.3 million in Certificates of Participation (COP's). (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 $12.1 million in restricted balances, $8.8 million consists of bond, COP and grant funds restricted for projects.

The District's net asset position increased $20 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 80% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 14% was spent in the areas of plant services, interest on long-term debt and other outgo and other expenses. (See Table 2)

The cost of all governmental activities this year was $52.4 million. However, the amount our taxpayers ultimately financed for these activities through local taxes was only $17.5 million. The amount that was financed by other government agencies and organizations that subsidized certain programs with grants and contributions was $12.1 million.

The remaining revenue consisted of unrestricted federal and state aid not restricted to a specific purpose, of $2.2 million charges for services, other local grants, and interest income. Taxes levied for debt service accounted for $2.4 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 Change in Net Position

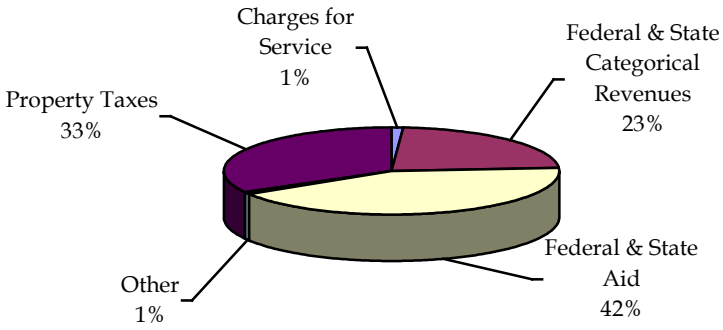
	Governmental Activities	
	2015	2014
REVENUES		
Program revenues	$ 12,268,779	$ 11,293,465
General revenues		
Taxes	17,478,675	18,625,331
Federal and State Aid not restricted to specific purposes	21,892,314	14,860,011
Interest and investment earnings	67,038	106,516
Interagency revenues	0	414,158
Miscellaneous	690,412	0
Total revenues	52,397,218	45,299,481
EXPENSES		
Instruction	29,300,914	26,370,018
Instruction related services	5,362,425	4,896,048
Pupil support services	7,095,029	6,295,924
General administration	3,151,386	2,460,931
Plant services	3,697,438	3,775,598
Other	3,770,216	3,172,545
Total expenses	52,377,408	46,971,064
Increase (Decrease) in net position	$ 19,810	$ (1,671,583)

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

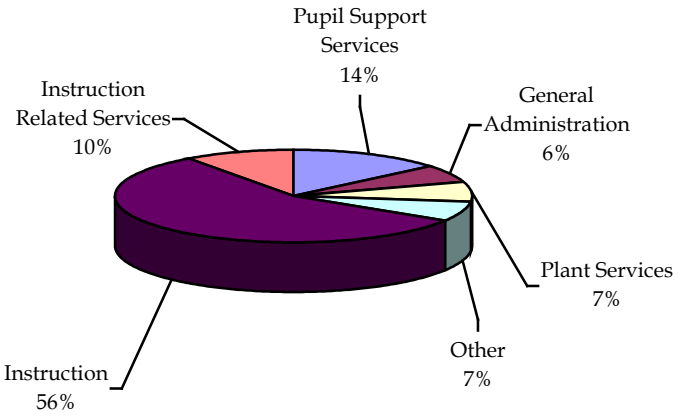
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $52.4 million. The amount that our local taxpayers financed for these activities through property taxes was $17.5 million. Federal and State aid not restricted to specific purposes totaled $21.9 million. State and Federal Categorical revenue totaled over $12.1 million, or 23% of the revenue of the entire District (See Figure 1).

Sources of Revenue for the 2014-2015 Fiscal Year
Figure 1



Expenses for the Fiscal Year 2014-2015
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 $32.1 million, a decrease of $176 thousand from the previous fiscal year's combined ending balance of $32.2 million. This decrease is mainly reflected in the Building Fund due to expenditures for bond related construction.

Table 3
District's Fund Balances

	Fund Balance 06/30/15	Fund Balance 06/30/14	Increase/ (Decrease)
01 General	$ 8,031,157	$ 5,382,203	$ 2,648,954
12 Child Development	474,373	353,431	120,942
13 Cafeteria	1,513,321	1,786,054	(272,733)
21 Building	13,069,959	14,671,551	(1,601,592)
25 Capital Facilities	134,696	121,546	13,150
51 Bond Interest & Redemption	1,503,540	1,611,034	(107,494)
56 Debt Service Fund	7,337,833	8,315,190	(977,357)
Total	$ 32,064,879	$ 32,241,009	$ (176,130)

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 2014-2015 fiscal year, the District had invested $87.3 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 $47.4 million of depreciation, were $39.9 million at June 30, 2015, which is a decrease of $1.1 million from the previous year.

Table 4
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2015 and 2014

	2015	2014	Difference Increase (Decrease)
Land	$ 1,061,512	$ 1,061,512	
Site Improvements	1,041,487	1,125,031	$ (83,544)
Buildings	34,895,125	37,325,071	(2,429,946)
Machinery and Equipment	1,273,975	1,357,554	(83,579)
Work in Process	1,584,618	76,004	1,508,614
Totals	$ 39,856,717	$ 40,945,172	$ (1,088,455)

Long-Term Debt

At June 30, 2015, the District had $42 million in long-term debt outstanding, which included $15 million for the 2013, Series A General Obligation Bond issued during 2013-2014.

Table 5
Comparative Schedule of Outstanding Debt
June 30, 2015 and 2014

	2015	2014
General Obligation Bonds	$ 29,915,000	$ 31,190,000
Certificates of Participation	11,840,000	12,520,000
Early Retirement Incentives	156,346	52,180
Compensated Absences	112,655	17,393
Totals	$ 42,024,001	$ 43,779,573

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The long-term debt paid by the District in 2014-2015 was approximately $2 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; Moss Landing, CA 95039-9617.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash (Note 2)	$ 35,528,406
Accounts Receivable (Note 3)	2,729,563
Stores Inventory (Note 1H)	18,335
Prepaid Expenses (Note 1H)	3,450
Capital Assets, Net of Depreciation (Note 5)	39,856,717
Total Assets	78,136,471
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Pension Expense	3,006,020
LIABILITIES	
Accounts Payable and Other Current Liabilities	5,463,446
Unearned Revenue (Note 1H)	1,121,620
Other Postemployment Benefits (Note 10)	1,760,821
Net Pension Liability (Note 11)	29,619,199
Unamortized Bond Premiums	636,869
Long-term Liabilities (Note 10)	
Due Within One Year	2,084,235
Due After One Year	39,939,766
Total Liabilities	80,625,956
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Earnings on Pension Plan Investments	8,015,438
NET POSITION	
Net Investment in Capital Assets	11,171,676
Restricted For:	
Capital Projects	134,696
Debt Service	8,841,373
Education Programs	1,619,325
Other Purposes (Expendable)	1,513,321
Unrestricted (Deficit)	(30,779,294)
Total Net Position (Deficit)	$ (7,498,903)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Governmental Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Instruction	$ 29,300,914	$ 34,721	$ 5,615,773	$ 1,002	$ (23,649,418)
Instruction-Related Services:					
Supervision of Instruction	1,685,684	6,740	1,069,466		(609,478)
Instructional Library, Media and Technology	344,185		32,332		(311,853)
School Site Administration	3,332,556	9,660	467,559		(2,855,337)
Pupil Services:					
Home-To-School Transportation	2,041,134		101,869		(1,939,265)
Food Services	2,465,553	91,140	2,050,421		(323,992)
All Other Pupil Services	2,588,342	313	695,580		(1,892,449)
General Administration:					
Data Processing	705,227		31,360		(673,867)
All Other General Administration	2,446,159	8,344	494,236		(1,943,579)
Plant Services	3,697,438	1,713	662,988		(3,032,737)
Ancillary Services	265,459		2,614		(262,845)
Community Services	32,745		7,206		(25,539)
Enterprise Activities	184,626		6,926		(177,700)
Interest on Long-Term Debt	1,551,264				(1,551,264)
Other Outgo	1,736,122		876,816		(859,306)
Total Governmental Activities	$ 52,377,408	$ 152,631	$ 12,115,146	$ 1,002	(40,108,629)
General Revenues:					
Property Taxes Levied For:					
General Purposes					14,472,330
Debt Service					2,370,547
Other Specific Purposes					635,798
Federal and State Aid Not Restricted to Specific Purposes					21,892,314
Interest and Investment Earnings					67,038
Miscellaneous					690,412
Total General Revenues					40,128,439
Change in Net Position					19,810
Net Position Beginning (Deficit) Restated - Note 16					(7,518,713)
Net Position Ending (Deficit)					$ (7,498,903)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Note 2)	$ 11,158,267	$ 7,337,833	$ 13,620,715	$ 3,256,942	$ 35,373,757
Accounts Receivable (Note 3)	2,048,770			680,114	2,728,884
Due From Other Funds (Note 4)	207,266			6	207,272
Stores Inventory (Note 1H)				18,335	18,335
Prepaid Expenditures (Note 1H)	3,450				3,450
Total Assets	$ 13,417,753	$ 7,337,833	$ 13,620,715	$ 3,955,397	$ 38,331,698
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 4,309,426		$ 550,756	$ 77,745	$ 4,937,927
Unearned Revenue (Note 1H)	1,077,170			44,450	1,121,620
Due to Other Funds (Note 4)	0			207,272	207,272
Total Liabilities	5,386,596		550,756	329,467	6,266,819
Fund Balances (Note 1H):					
Nonspendable	8,450			18,335	26,785
Restricted	1,352,664	$ 7,337,833	13,069,959	3,330,345	25,090,801
Assigned	5,418,043			277,250	5,695,293
Unassigned	1,252,000				1,252,000
Total Fund Balances	8,031,157	7,337,833	13,069,959	3,625,930	32,064,879
Total Liabilities and Fund Balances	$ 13,417,753	$ 7,337,833	$ 13,620,715	$ 3,955,397	$ 38,331,698

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds			$ 32,064,879
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets, at historical cost:	$ 87,335,252	
	Accumulated depreciation:	(47,478,535)	
	Net:		39,856,717
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(525,519)
Unamortized bond premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premium at year-end was:			(636,869)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds	$ 29,915,000	
	Certificates of participation	11,840,000	
	Early retirement incentives	156,346	
	Other post-employment benefits	1,760,821	
	Net pension liability	29,619,199	
	Compensated absences	112,655	
	Total		(73,404,021)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:			155,328
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources relating to pensions	$ 3,006,020	
	Deferred inflows of resources relating to pensions	(8,015,438)	
	Net		(5,009,418)
Total (deficit) net position - governmental activities			$ (7,498,903)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Debt Service Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Control Funding Formula Sources						
State Apportionments	$ 20,721,486					$ 20,721,486
Local Sources	14,546,106					14,546,106
Total Local Control Funding Formula Sources	35,267,592					35,267,592
Federal Revenue	3,973,166				$ 2,055,581	6,028,747
Other State Revenue	1,993,993				1,008,539	3,002,532
Other Local Revenue	3,185,266	$ 34,210	$ 49,975	$ 8,422	3,075,294	6,353,167
Total Revenues	44,420,017	34,210	49,975	8,422	6,139,414	50,652,038
EXPENDITURES						
Certificated Salaries	18,784,492				486,213	19,270,705
Classified Salaries	7,181,143		116,637		1,120,398	8,418,178
Employee Benefits	7,664,573		45,846		482,015	8,192,434
Books and Supplies	2,711,348		739,780		1,444,181	4,895,309
Services and Other Operating Expenditures	3,600,771		49,075		143,768	3,793,614
Capital Outlay	298,858		700,229		19,230	1,018,317
Debt Service:						
Principal Retirement		680,000			1,275,000	1,955,000
Interest and Fiscal Charges		341,238			1,207,252	1,548,490
Other Outgo	1,529,878				206,243	1,736,121
Total Expenditures	41,771,063	1,021,238	1,651,567	0	6,384,300	50,828,168
Excess of Revenues Over (Under) Expenditures	2,648,954	(987,028)	(1,601,592)	8,422	(244,886)	(176,130)
Other Financing Sources (Uses):						
Operating Transfers In (Note 4)		9,671				9,671
Operating Transfers Out (Note 4)				(8,422)	(1,249)	(9,671)
Total Other Financing Sources (Uses)	0	9,671	0	(8,422)	(1,249)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	2,648,954	(977,357)	(1,601,592)	0	(246,135)	(176,130)
Fund Balances - July 1, 2014	5,382,203	8,315,190	14,671,551	0	3,872,065	32,241,009
Fund Balances - June 30, 2015	$ 8,031,157	$ 7,337,833	$ 13,069,959	$ 0	$ 3,625,930	$ 32,064,879

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change (decrease) in fund balances - total governmental funds		$ (176,130)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 1,813,804	
Depreciation expense:	(2,891,634)	
Net:		(1,077,830)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(48,959)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		1,955,000
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		(30,610)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(95,262)
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:		(332,410)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, expenses incurred for early retirement incentives were:		(104,166)
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:		(10,625)

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of debt premium for the period is:	27,837
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net decrease in internal service funds was:	(87,034)
Total change in net position - governmental activities (minor differences may be due to rounding)	$ 19,811

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities: Internal Service Fund
	Self-Insurance Fund
ASSETS	
Current assets	
Cash (Note 2)	$ 154,649
Accounts Receivable (Note 3)	679
Total Assets	$ 155,328
Total Liabilities	$ 0
NET POSITION	
Unrestricted	$ 155,328
Total Net Position	$ 155,328

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Fund
	Self-Insurance Fund
OPERATING REVENUE	
Self-Insurance Premiums	$ 367,686
Total Operating Revenue	367,686
OPERATING EXPENSES	
Contract Services and Other Operating Expenses	455,522
Total Operating Expenses	455,522
Operating Income (Loss)	(87,836)
NON-OPERATING SOURCES (USES)	
Interest Income	802
Total Non-Operating Sources	802
Net Income (Loss)	(87,034)
Total Net Position - July 1, 2014	242,362
Total Net Position - June 30, 2015	$ 155,328

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities	
Cash Received from Other Local Income - Premiums	$ 665,850
Cash Paid for Services and Other Operating Expenses	(455,522)
Net Cash Provided by Operating Activities	210,328
Cash Flows from Investing Activities	
Interest Income Received	802
Net Cash Provided (Used) by Investing Activities	802
Net Increase in Cash	211,130
Cash, July 1, 2014	(56,481)
Cash, June 30, 2015	$ 154,649
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ (87,836)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease (Increase) in Accounts Receivable	(567)
Decrease (Increase) in Due From Other Funds	298,731
Net Cash Provided (Used) by Operating Activities	$ 210,328

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds
ASSETS	
Cash (Note 2)	$ 170,051
Total Assets	$ 170,051
LIABILITIES	
Due to Student Groups	$ 170,051
Total Liabilities	$ 170,051
NET POSITION	
Total Net Position	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented in the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes amounts previously reported in the District's Adult Education Fund and Deferred Maintenance Fund.

Debt Service Fund is used for accumulation of resources for and the retirement of principal and interest on certificates of participation debt.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Additionally, the District reports the following fund types:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to provide dental and vision benefits to its employees.

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature 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.

E. Budgets and Budgetary Accounting

By State law, the District's Board of Education must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

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

The District did not adopt a budget for the Bond Interest and Redemption Fund in 2014-2015.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3),* certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentrations of Credit Risk
- Foreign Currency Risk

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

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 in the benefited period.

3. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section from deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

5. Unearned Revenue

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

As described in Note 7, unamortized bond premium is reported as deferred revenue in the Government-wide financial statements.

6. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is also 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

8. Net Position (Concluded)

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal Governing Board action.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board or the Superintendent of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Fund Balances

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
Nonspendable:					
Stores Inventory	$ 5,000			$ 18,335	$ 23,335
Prepaid Expenditures	3,450				3,450
Total Nonspendable Fund Balance	8,450			18,335	26,785
Restricted For:					
Legally Restricted Categorical Funding	1,352,664				1,352,664
Debt Service		$ 7,337,833		1,503,540	8,841,373
Future Capital Projects			$ 13,069,959		13,069,959
Child Development Program				266,661	266,661
Cafeteria Food Program				1,425,448	1,425,448
Purposes Specified in Goervenment Code Sections 65970-65981				134,696	134,696
Total Restricted Fund Balance	1,352,664	7,337,833	13,069,959	3,330,345	25,090,801
Assigned For:					
Athletic Vans	165,521				165,521
Special Education Programs	901,721				901,721
Cafeteria Food Program				69,538	69,538
Child Development Program				207,712	207,712
Employee STRS/PERS Increases	804,646				804,646
ROP	48,695				48,695
Deficit Spending Offset	2,092,030				2,092,030
Other Assignments	130,467				130,467
Deferred Maintenance Projects	1,066,731				1,066,731
Adult Education Carryover	208,233				208,233
Total Assigned Fund Balance	5,418,043	0	0	277,250	5,695,293
Unassigned:					
Reserve for Economic Uncertainties	1,252,000				1,252,000
Total Unassigned Fund Balance	1,252,000	0	0	0	1,252,000
Total Fund Balances	$ 8,031,157	$ 7,337,833	$ 13,069,959	$ 3,625,930	$ 32,064,879

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California. If any portion of the 3% is spent, then the District shall reduce expenditures to reestablish the 3% Reserve for Economic Uncertainties.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The District does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the District's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the District until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2015:

Government-Wide Statement of Net Position			Fiduciary Funds Statement of Net Position	Total
Governmental Funds	Proprietary Fund	Total		
$35,373,757	$154,649	$35,528,406	$170,051	$35,698,457

The District had the following cash at June 30, 2015:

	Fair Value	Carrying Amount
Cash in Banks	$ 184,055	$ 184,055
Cash in Revolving Fund	5,000	5,000
Cash with Fiscal Agent	343,398	343,398
Cash in County Treasury	35,164,880	35,166,004
Total Cash	$ 35,697,333	$ 35,698,457

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

NOTE 2 – CASH (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the District's accounts was $189,055, all of which was insured.

Cash with Fiscal Agent

Cash with Fiscal Agent represents amounts on deposit with Union Bank of California for future payment of principal and interest on outstanding Certificates of Participation. Union Bank has these funds invested in Blackrock T-fund Institutional Shares and Natixis Funding Guaranteed Investment Contract.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled $1,120,854,255. The fair market value of this pool as of that date, as provided by the pool sponsor, was $1,120,818,419. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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 manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing 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.

NOTE 2 - CASH (CONTINUED)

C. Risk Disclosures (Continued)

At June 30, 2015 the District had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 4	4 and More
Cash with Fiscal Agent	$343,398	$343,398		
County Treasury	35,164,880	18,250,573	$16,291,889	$622,418
Total	$35,508,278	$18,593,971	$16,291,889	$622,418

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

	Credit Quality Distributions for Securities with Credit Exposure	
Investment Type	Moody's Credit Rating	S & P's Rating
Cash in County Treasury	Not Rated	Not Rated
Cash with Fiscal Agent		
Blackrock T-funding Institutional Shares	Aaa-mf	AAAm
NATIXIS Funding Guaranteed Investment Contract	A2	A

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	Governmental Funds			Proprietary Fund
	General Fund	Other Governmental Funds	Total	Self Insurance Fund
Federal Government				
Categorical Aid Programs	$ 1,175,045	$ 255,799	$ 1,430,844	
State Government				
Local Control Funding Formula	10,228		10,228	
Categorical Aid Programs	327,363	148,893	476,256	
Lottery	356,208		356,208	
Other		49,503	49,503	
Total State Government	693,799	198,396	892,195	
Local Government	48,695		48,695	
Interest	11,153	310	11,463	
Miscellaneous	120,078	225,609	345,687	$ 679
Total Accounts Receivable	$ 2,048,770	$ 680,114	$ 2,728,884	$ 679

NOTE 4 - INTERFUND TRANSACTIONS

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

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	$ 207,266	
Non-Major Governmental Funds:		
Adult Education Fund	6	$ 72,939
Cafeteria Fund		134,333
Total	$ 207,272	$ 207,272

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2014-2015 fiscal year were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
Debt Service Fund	$ 9,671	
County School Facilities Fund		$ 8,422
Non-Major Governmental Funds:		
Special Reserve Fund for Capital Outlay Projects		1,249
Total	$ 9,671	$ 9,671

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transfer of $8,422 from the County School Facilities Fund to the Debt Service Fund to provide resources for the debt service of the 2006 and 2010 Certificates of Participation.

Transfer of $1,249 from Special Reserve for Capital Outlay Projects to the Debt Service Fund to provide resources for the debt service of the 2006 and 2010 Certificates of Participation.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 1,061,512			$ 1,061,512
Work in progress	76,004	$ 1,519,239	$ 10,625	1,584,618
Total capital assets, not being depreciated	1,137,516	1,519,239	10,625	2,646,130
Capital assets being depreciated:				
Buildings	70,267,143	52,357		70,319,500
Improvements of sites	8,736,944			8,736,944
Equipment	5,390,470	242,208		5,632,678
Total capital assets, being depreciated	84,394,557	294,565	0	84,689,122
Less accumulated depreciation for:				
Buildings	32,942,072	2,482,303		35,424,375
Improvements of sites	7,611,913	83,544		7,695,457
Equipment	4,032,916	325,787		4,358,703
Total accumulated depreciation	44,586,901	2,891,634	0	47,478,535
Total capital assets, being depreciated, net	39,807,656	(2,597,069)	0	37,210,587
Governmental activities capital assets, net	$ 40,945,172	$ (1,077,830)	$ 10,625	$ 39,856,717

Depreciation expense charged to governmental activities as follows:

Governmental Activities:

Instruction	$2,891,634

NOTE 6 – GENERAL OBLIGATION BONDS

On May 1, 2014, the District issued 2013 General Obligation Bonds, Series A, in the amount of $15,500,000 bearing interest rates between 2% and 4% and maturing dates through November 1, 2044.

The Bonds are payable solely from ad valorem property taxes levied and collected by the County of Monterey. The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates).

The outstanding general obligation bonded debt of the North Monterey County Unified School District at June 30, 2015, is:

Year of Issue	Interest Rate %	Maturity Date	Original Issue	Outstanding July 01, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2005	2.50-4.75	2030	$ 13,750,000	$ 11,325,000		$ 485,000	$ 10,840,000
2012	2.50	2028	4,425,000	4,365,000		265,000	4,100,000
2014	2.00-4.00	2044	15,500,000	15,500,000		525,000	14,975,000
			$ 33,675,000	$ 31,190,000	$ 0	$ 1,275,000	$ 29,915,000

The annual requirement to amortize the general obligation bonds payable, outstanding as of June 30, 2015, is as follows:

Year Ended June 30	Principal	Interest	Total
2016	$ 1,225,000	$ 1,210,894	$ 2,435,894
2017	850,000	1,168,432	2,018,432
2018	905,000	1,136,931	2,041,931
2019	960,000	1,101,469	2,061,469
2020	1,015,000	1,063,730	2,078,730
2021-2025	6,045,000	4,704,956	10,749,956
2026-2030	7,085,000	3,409,253	10,494,253
2031-2035	2,705,000	2,377,000	5,082,000
2036-2040	4,330,000	1,557,150	5,887,150
2041-2044	4,795,000	492,000	5,287,000
Totals	$ 29,915,000	$ 18,221,815	$ 48,136,815

NOTE 7 - EARLY RETIREMENT INCENTIVES

In addition to the benefits described in Note 10, 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, six certificated employees accepted early retirement incentives. A total of ten retirees are currently receiving benefits under a various agreements. The projected costs for current participants for future years are accrued as long-term debt in the District's Government-wide financial statements are as follows:

Year Ended June 30	Earl Retirement Incentives
2016	$ 56,581
2017	49,883
2018	49,883
Total	$ 156,346

NOTE 8 – CERTIFICATES OF PARTICIPATION

In May 2006, the North Monterey County Unified School District issued current interest certificates of participation in the amount of $5,300,000 with interest rates of 4.00 to 4.90 percent.

In July 2010, the District issued current interest certificates of participation in the amount of $10,000,000 with interest rates of 5.75 to 7.00 percent. The District has designated the certificates as Qualified School Construction Bonds under Section 54F of the tax code and intends for the certificates to be "qualified bonds" under Section 6431(f) of the tax code which makes the District eligible for a cash subsidy payment from the United States Treasury.

The outstanding certificates of participation debt at June 30, 2015 is:

Date of Issue	Interest Rate %	Maturity Date (August 1)	Amount of Original Issue	Outstanding July 01, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2006	4.0-4.9	2036	$ 5,300,000	$ 4,680,000		$ 120,000	$ 4,560,000
2010	5.75-7.0	2027	10,000,000	7,840,000		560,000	7,280,000
Total			$ 15,300,000	$ 12,520,000	$ 0	$ 680,000	$ 11,840,000

NOTE 8 – CERTIFICATES OF PARTICIPATION (CONCLUDED)

The annual requirements to amortize the certificates of participation as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Interest	Total
2016	$ 690,000	$ 700,742	$ 1,390,742
2017	705,000	662,707	1,367,707
2018	715,000	619,435	1,334,435
2019	725,000	575,548	1,300,548
2020	740,000	531,038	1,271,038
2021-2025	3,935,000	2,113,684	6,048,684
2026-2030	2,350,000	1,063,141	3,413,141
2031-2035	1,345,000	326,464	1,671,464
2036-2037	635,000	31,482	666,482
Totals	$ 11,840,000	$ 6,624,241	$ 18,464,241

NOTE 9 - LONG-TERM DEBT

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	$ 31,190,000		$ 1,275,000	$ 29,915,000	$ 1,225,000
Early Retirement Incentives	52,180	$ 120,560	16,394	156,346	56,580
Compensated Absences	17,393	95,262		112,655	112,655
Certificates of Participation	12,520,000		680,000	11,840,000	690,000
Totals	$ 43,779,573	$ 215,822	$ 1,971,394	$ 42,024,001	$ 2,084,235

The compensated absences and early retirement incentives will be paid by the General Fund. Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation will be made by the Debt Service Fund.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the retirement plans discussed in Note 11, the District has entered into various agreements with certain eligible employees for medical benefits to age 65, which require no further services to be performed. Eligible employees are certified employees with a minimum age of 55 with 15 years of service or a classified employee with a minimum age of 50 with 10 years of service. For certificated retirees, the District will pay benefits to age 65, capped at the cost of the least costly plan. For classified retirees, there is no District cap on medical premium costs to age 65. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go-method) rather than recording the costs and accumulating reserves as the benefits are earned by the active employee.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 437,384
Interest on net OPEB obligation	64,278
Adjustment to annual required contribution	(72,006)
Annual OPEB cost (expense)	429,656
Contributions made	(97,246)
Increase in net OPEB obligation	332,410
Net OPEB obligation – beginning of year	1,428,411
Net OPEB obligation – end of year	$1,760,821

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015, 2014 and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$429,656	23%	$1,760,821
June 30, 2014	$349,370	22%	$1,428,411
June 30, 2013	$343,331	20%	$1,156,499

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

Funded Status and Funding Progress

As of February 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $3.9 million, all of which is unfunded.

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, 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 funded status of the plan as of February 1, 2014 was as follows:

Actuarial accrued liability (AAL)	$3,862,075
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$3,862,075
Funded ratio (actuarial value of plan assets/AAL)	0%

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 benefits 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 February 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4% initially. An inflation rate of 2.75% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was twenty-five years.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

Plan Description. The North Monterey County Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the North Monterey County Unified School District and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Funding Policy (Concluded). The North Monterey County Unified School District's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were $1,696,570, $1,395,584, and $1,353,763, respectively, and equal 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported a liability of $22,206,059 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0380 percent.

For the year ended June 30, 2015, the District recognized pension expense of $2,628,426 which included the State's required on-behalf contribution. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	$ 5,468,200
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	$ 1,696,570	-
Totals	$ 1,696,570	$ 5,468,200

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

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

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

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

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 (Pension Consulting Alliance – PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on Board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%

* 10-year geometric average

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

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 the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS'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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	$ 67,839,500
2% Decrease (5.60%)	49,617,740
1% Decrease (6.60%)	34,613,440
Current Discount Rate (7.60%)	22,206,060
1% Increase (8.60%)	11,860,560
2% Increase (9.60%)	3,167,680
3% Increase (10.60%)	(4,164,420)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The North Monterey County Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the North Monterey County Unified School District was required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Funding Policy (Concluded). The contribution requirements of the plan members are established by State statute. The North Monterey County Unified School District's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were $1,309,450, $1,258,302 and $1,110,750, respectively and equal 100% of the required contributions for each year.

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $7,413,140 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0653 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,309,450. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	$ 2,547,238
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	$ 1,309,450	-
Totals	$ 1,309,450	$ 2,547,238

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.50%)	$ 12,968,015
Current Discount Rate (7.50%)	7,375,635
1% Increase (8.50%)	2,702,626

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.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

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

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10[1]	Years 11+[2]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The District was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of $931,856 to STRS (5.68% of salaries subject to STRS).

NOTE 12 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in two joint ventures under joint powers agreements (JPA) with Monterey & San Benito Counties Property/Liability Joint Powers Authority and the Protected Insurance Program for Schools and Community Colleges (PIPS) Joint Powers Authority. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. State and Federal Allowances, Award and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 14 - RISK MANAGEMENT

A. 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, 2013, the District contracted with Monterey & San Benito Counties Property/Liability Joint Powers Authority for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the District participated in the PIPS JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. 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 the JPA. Participation in the JPA is limited to districts that can meet the JPA selection criteria.

NOTE 15 – RESTATEMENT OF FUND BALANCES

The amounts previously reported at June 30, 2014 for the General Fund and Child Development Fund have been restated to move to the Child Development Fund prior year activity incorrectly accounted for in the General Fund. The net effect of the restatement is as follows:

	General Fund	Child Development Fund
Fund Balances, June 30, 2014, as originally reported	$ 5,521,970	$ 213,664
Understatement (Overstatement) of Cash for Family Resource Center Reserve	(139,767)	139,767
Fund Balances, June 30, 2014, as restated	$ 5,382,203	$ 353,431

NOTE 16 – RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability.

In addition, Governmental Activities Net Position is restated to report a liability for Unamortized Bond Premiums relating to the District 2002A and 2014B General Obligation Bonds.

The net effect of these restatements is a decrease in the June 30, 2014 total Net Position of $35,244,363 as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	$ 27,725,650
Recognition of Unamortized Bond Premiums	(664,706)
Retroactive recognition of the District's share of unfunded pension liabilities for STRS and PERS	(34,579,657)
Net Position, June 30, 2014 as restated	$ (7,518,713)

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
Revenues				
Local Control Funding Formula Sources:				
State Apportionments	$ 21,897,345	$ 20,721,486	$ 20,721,486	$ 0
Local Sources	12,731,261	14,546,106	14,546,106	0
Total Local Control Funding Formula Sources	34,628,606	35,267,592	35,267,592	0
Federal Revenue	3,704,308	5,237,838	3,973,166	(1,264,672)
Other State Revenue	1,595,928	2,572,293	1,993,993	(578,300)
Other Local Revenue	2,115,029	3,166,870	3,185,266	18,396
Total Revenues	42,043,871	46,244,593	44,420,017	(1,824,576)
Expenditures				
Certificated Salaries	19,400,936	19,173,427	18,784,492	388,935
Classified Salaries	7,089,770	7,092,797	7,181,143	(88,346)
Employee Benefits	7,868,188	7,889,124	7,664,573	224,551
Books and Supplies	1,660,686	4,432,380	2,711,348	1,721,032
Services and Other Operating Expenditures	3,771,972	4,649,002	3,600,771	1,048,231
Capital Outlay	300,000	1,253,941	298,858	955,083
Other Outgo	1,816,941	1,771,441	1,529,878	241,563
Total Expenditures	41,908,493	46,262,112	41,771,063	4,491,049
Excess of Revenues Over (Under) Expenditures	135,378	(17,519)	2,648,954	2,666,473
Fund Balances - July 1, 2014	2,803,879	5,382,203	5,382,203	0
Fund Balances - June 30, 2015	$ 2,939,257	$ 5,364,684	$ 8,031,157	$ 2,666,473

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	February 1, 2013	$ -	$ 3,271,870	$ 3,271,870	0%	$ 19,915,390	16%
6/30/14	February 1, 2013	$ -	$ 3,271,870	$ 3,271,870	0%	$ 20,512,850	16%
6/30/15	February 1, 2015	$ -	$ 3,862,075	$ 3,862,075	0%	$ 21,076,950	18%

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

		2015
District's proportion of the net pension liability		0.0380%
District's proportionate share of the net pension liability	$	22,206,059
District's covered-employee payroll	$	16,916,123
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		131%
Plan fiduciary net position as a percentage of the total pension liability		77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability		0.0653%
District's proportionate share of the net pension liability	$	7,413,140
District's covered-employee payroll	$	6,876,402
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		108%
Plan fiduciary net position as a percentage of the total pension liability		83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
Contractually required contribution	$ 1,395,584
Contributions in relation to the contractually required contribution	1,395,584
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 16,916,123
Contributions as a percentage of covered-employee payroll	8.250%

Public Employee Retirement System (CalPERS)

Contractually required contribution	$ 1,258,302
Contributions in relation to the contractually required contribution	1,258,302
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 6,876,402
Contributions as a percentage of covered-employee payroll	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

Fund	Excess Expenditures
Major Governmental Funds:	
General Fund	
Classified Salaries	$ 88,346
County School Facilities Fund	
Transfers Out	5,200
Non-Major Governmental Funds:	
Child Development Fund	
Classified Salaries	1,470

Expenditures were incurred in each of the funds listed above for which the budgets were not revised. The District did not adopt a budget for the Bond Interest and Redemption Fund.

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C. Schedules of District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

C. Schedules of District's Proportionate Share of the Net Pension Liability (Concluded)

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of District Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MOSS LANDING, CALIFORNIA

JUNE 30, 2015

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

Name	Office	Term Expires
Jennifer Skidgel – Clarke	President	November, 2015
Linda Lines	Vice President	November, 2017
Adrian Ayala	Clerk	November, 2017
Martha Chavarria	Member	November, 2015
Mike Deckelman	Member	November, 2015

ADMINISTRATION

Kari Yeater
Superintendent and Secretary of Board

Liann Reyes
Assistant Superintendent Business Services

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Revised Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	1,406	1,406
Fourth through Sixth	1,026	1,025
Seventh and Eighth	594	592
Ninth through Twelfth	1,206	1,188
ADA Totals	4,232	4,211

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	56,690	180	In Compliance
Grade 1	50,400	49,000	53,090	180	In Compliance
Grade 2	50,400	49,000	53,090	180	In Compliance
Grade 3	50,400	49,000	53,090	180	In Compliance
Grade 4	54,000	52,500	54,122	180	In Compliance
Grade 5	54,000	52,500	54,115	180	In Compliance
Grade 6	54,000	52,500	54,122	180	In Compliance
Grade 7	54,000	52,500	56,170	180	In Compliance
Grade 8	54,000	52,500	56,170	180	In Compliance
Grade 9	64,800	63,000	64,800	180	In Compliance
Grade 10	64,800	63,000	64,800	180	In Compliance
Grade 11	64,800	63,000	64,800	180	In Compliance
Grade 12	64,800	63,000	64,800	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2014-2015 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

SEE NOTES TO SUPPLEMENTARY INFORMATION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools chartered by the North Monterey County Unified School District during the year ended June 30, 2015.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555*	13523/13524	$ 1,224,361
School Breakfast Needy	10.553*	13526	570,769
Meal Supplements	10.556*	13528	48,757
Summer Food Program	10.559*	13004	59,353
Subtotal Child Nutrition Cluster			1,903,240
Child and Adult Care Food Program	10.558	13666	16,397
Total U.S. Department of Agriculture			1,919,637
US. Department of Education:			
Passed through CDE:			
Title I, Part C Migrant Education Cluster			
NCLB: Title I, Migrant Ed Summer Program	84.011	10005	241,523
NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	459,260
Subtotal Title I, Part C Migrant Education Cluster			700,783
IDEA, Basic Local Assistance, Part B, Section 611	84.027*	13379	639,519
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	987,371
NCLB: Title I, Part G, Advance Placement (AP) Test Fee Reimbursement Program	84.330B	14831	6,438
NCLB: Title I, School Improvement Grant (SIG)	84.377	14971	1,099,624
NCLB: Title II, Part A, Teacher Quality	84.367	14341	274,543
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	217,544
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	42,827
Total U.S. Department of Education			3,968,649
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	4,517
Passed through CDE:			
Child Care and Development Block Grant Cluster:			
Child Development: Federal General (CCTR) and State Preschool (CFCC)	93.575*	15136	62,382
Child Development: Federal General (CCTR) and State Preschool (CSPP)	93.596*	13609	73,562
Subtotal Child Care and Development Block Grant Cluster			135,944
Total U.S. Department of Health and Human Services			140,461
Total Federal Programs			$ 6,028,747

* Denotes a Major Program

SEE NOTES TO SUPPLEMENTARY INFORMATION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUALS
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Debt Service Fund
June 30, 2015, Annual Unaudited Actual Financial Report Fund Balance	$ 6,756,193	$ 208,233	$ 1,066,731	$ 7,337,855
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:				
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	1,274,964	(208,233)	(1,066,731)	
(Overstatement) Understatement of Cash with Fiscal Agent				(22)
Net Adjustments and Reclassifications	1,274,964	(208,233)	(1,066,731)	(22)
June 30, 2015, Audited Financial Statement Fund Balance	$ 8,031,157	$ 0	$ 0	$ 7,337,833

Auditor's Comment

The audited financial statements for all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2015.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget 2015-2016	2014-2015	2013-2014	2012-2013
General Fund				
Revenues and Other Financial Sources	$ 49,951,033	$ 44,420,017	$ 39,607,751	$ 37,331,526
Expenditures	50,652,502	41,771,063	39,336,759	38,390,337
Other Uses and Transfers Out	0	0	0	175,000
Total Outgo	50,652,502	41,771,063	39,336,759	38,565,337
Change in Fund Balance (Deficit)	(701,469)	2,648,954	270,992	(1,233,811)
Ending Fund Balance	$ 4,283,352	$ 8,031,157	$ 5,521,970	$ 5,250,978
Available Reserves	$ 1,502,000	$ 1,252,000	$ 2,380,969	$ 3,982,158
Reserve for Economic Uncertainties	$ 1,502,000	$ 1,252,000	$ 1,195,000	$ 973,791
Unassigned Fund Balance	$ 0	$ 0	$ 1,185,969	$ 3,008,367
Available Reserves as a Percentage of Total Outgo	3.0%	3.0%	6.1%	10.3%
Total Long-Term Debt	$ 39,939,766	$ 42,024,001	$ 43,779,573	$ 29,580,038
Average Daily Attendance at P-2	4,243	4,232	4,151	4,042

The General Fund balance has increased by $1,686,135 over the past three years. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties in the General Fund. For a District this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt increased $12.4 million during the past two years, mainly due to the sale of $15.5 million of general obligation bonds in 2013-2014.

Average daily attendance increased by 190 during the past two years.

The amounts reported as Budget 2015-2016 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
ASSETS					
Cash	$ 225,859	$ 1,383,247	$ 1,503,540	$ 144,296	$ 3,256,942
Accounts Receivable	382,123	297,887		104	680,114
Due From Other Funds	6				6
Stores Inventory		18,335			18,335
Total Assets	$ 607,988	$ 1,699,469	$ 1,503,540	$ 144,400	$ 3,955,397
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 22,463	$ 45,578		$ 9,704	$ 77,745
Unearned Revenue	38,213	6,237			44,450
Due to Other Funds	72,939	134,333			207,272
Total Liabilities	133,615	186,148		9,704	329,467
Fund Balances:					
Nonspendable		18,335			18,335
Restricted	266,661	1,425,448	$ 1,503,540	134,696	3,330,345
Assigned	207,712	69,538			277,250
Total Fund Balances	474,373	1,513,321	1,503,540	134,696	3,625,930
Total Liabilities and Fund Balances	$ 607,988	$ 1,699,469	$ 1,503,540	$ 144,400	$ 3,955,397

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES						
Federal Revenue	$ 152,340	$ 1,903,241				$ 2,055,581
Other State Revenue	817,020	170,937	$ 20,582			1,008,539
Other Local Revenue	502,205	178,269	2,354,176	$ 39,395	$ 1,249	3,075,294
Total Revenues	1,471,565	2,252,447	2,374,758	39,395	1,249	6,139,414
EXPENDITURES						
Certificated Salaries	486,213					486,213
Classified Salaries	425,442	694,956				1,120,398
Employee Benefits	197,439	284,576				482,015
Books and Supplies	86,527	1,357,654				1,444,181
Services and Other Operating Expenditures	75,687	41,836		26,245		143,768
Capital Outlay	7,405	11,825				19,230
Debt Service:						
Principal Retirement			1,275,000			1,275,000
Interest and Fiscal Charges			1,207,252			1,207,252
Other Outgo	71,910	134,333				206,243
Total Expenditures	1,350,623	2,525,180	2,482,252	26,245	0	6,384,300
Excess of Revenues Over (Under) Expenditures	120,942	(272,733)	(107,494)	13,150	1,249	(244,886)
Other Financing Sources (Uses):						
Operating Transfers Out					(1,249)	(1,249)
Excess of Revenues Over (Under) Expenditures and Other Uses	120,942	(272,733)	(107,494)	13,150	0	(246,135)
Fund Balances - July 1, 2014	353,431	1,786,054	1,611,034	121,546	0	3,872,065
Fund Balances - June 30, 2015	$ 474,373	$ 1,513,321	$ 1,503,540	$ 134,696	$ 0	$ 3,625,930

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2015

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Interfund Eliminations	Total General Fund
ASSETS					
Cash	$ 9,879,949	$ 205,962	$ 1,072,356		$ 11,158,267
Accounts Receivable	2,045,958	2,812			2,048,770
Due From Other Funds	207,392			$ (126)	207,266
Prepaid Expenditures	3,450				3,450
Total Assets	$ 12,136,749	$ 208,774	$ 1,072,356	$ (126)	$ 13,417,753
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 4,303,260	$ 541	$ 5,625		$ 4,309,426
Deferred Revenue	1,077,170				1,077,170
Due to Other Funds	126			$ (126)	
Total Liabilities	5,380,556	541	5,625	(126)	5,386,596
Fund Balances:					
Nonspendable	8,450				8,450
Restricted	1,352,664				1,352,664
Assigned	4,143,079	208,233	1,066,731		5,418,043
Unassigned	1,252,000				1,252,000
Total Fund Balances	6,756,193	208,233	1,066,731	0	8,031,157
Total Liabilities and Fund Balances	$ 12,136,749	$ 208,774	$ 1,072,356	$ (126)	$ 13,417,753

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Interfund Eliminations	Total General Fund
REVENUES					
Local Control Funding Formula Sources					
State Apportionments	$ 20,271,486		$ 450,000		$ 20,721,486
Local Sources	14,546,106				14,546,106
Total Local Control Funding Formula Sources	34,817,592		450,000		35,267,592
Federal Revenue	3,973,166				3,973,166
Other State Revenue	1,993,993				1,993,993
Other Local Revenue	3,115,437	$ 66,213	3,616		3,185,266
Total Revenues	43,900,188	66,213	453,616		44,420,017
EXPENDITURES					
Certificated Salaries	18,545,209	239,283			18,784,492
Classified Salaries	7,149,845	31,298			7,181,143
Employee Benefits	7,617,150	47,423			7,664,573
Books and Supplies	2,693,120	18,228			2,711,348
Services and Other Operating Expenditures	3,666,747	5,056	(71,032)		3,600,771
Capital Outlay	253,905		44,953		298,858
Other Outgo	1,529,878				1,529,878
Total Expenditures	41,455,854	341,288	(26,079)		41,771,063
Excess of Revenues Over (Under) Expenditures	2,444,334	(275,075)	479,695		2,648,954
Other Financing Sources (Uses):					
Operating Transfers In		247,676		$ (247,646)	0
Operating Transfers Out	(247,676)			247,646	0
Total Other Financing Sources (Uses)	(247,676)	247,676		0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,196,658	(27,399)	479,695	0	2,648,954
Fund Balances - July 1, 2014	4,559,535	235,632	587,036	0	5,382,203
Fund Balances - June 30, 2015	$ 6,756,193	$ 208,233	$ 1,066,731	$ 0	$ 8,031,157

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS – STUDENT BODY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
NORTH MONTEREY COUNTY HIGH SCHOOL				
ASSETS				
Cash	$ 89,108	$ 621,552	$ 601,376	$ 109,284
LIABILITIES				
Due to Student Groups	$ 89,108	$ 621,552	$ 601,376	$ 109,284
NORTH MONTEREY COUNTY MIDDLE SCHOOL				
ASSETS				
Cash	$ 54,226	$ 56,754	$ 50,213	$ 60,767
LIABILITIES				
Due to Student Groups	$ 54,226	$ 56,754	$ 50,213	$ 60,767
TOTAL AGENCY FUNDS				
ASSETS				
Cash	$ 143,334	$ 678,306	$ 651,589	$ 170,051
LIABILITIES				
Due to Student Groups	$ 143,334	$ 678,306	$ 651,589	$ 170,051

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. 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 requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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*

Board of Education
North Monterey County Unified School District
Moss Landing, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Monterey County Unified School District, as of and for the year ended June 30, 2015, 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 November 25, 2015.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

North Monterey County Unified School District's Responses to Findings

North Monterey County Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Monterey County Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

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

Board of Education
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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Monterey County Unified School District's major federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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.

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, 2015.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
North Monterey County Unified School District
Moss Landing, California

We have audited North Monterey County Unified School District's compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of North Monterey County Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of North Monterey County Unified School District's State government programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below 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. However, our audit does not provide a legal determination of North Monterey County Unified School District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

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Description	Procedures Performed
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on Each State Government 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 State government programs for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

FINDINGS AND QUESTIONED COSTS SECTION

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?	___ Yes	_x_ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
93.575, 93.596	Child Care and Development Block Grant
84.027	IDEA, Basic Local Assistance, Part B, Section 611

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_x_ Yes	___ No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	___Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	___Yes	_x_ None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

Section II - Financial Statements Findings

2015 – 001 – CONTROLS OVER PROCESSING OF JOURNAL ENTRIES - 30000

Criteria: Proper internal accounting controls include segregation of duties that require journal entries be reviewed by someone other than the person creating the entry, knowledgeable about accounting principles prior to entry to the general ledger.

Statement of Condition: District has established a procedure requiring the Assistant Superintendent of Business Services approve journal entries created by another employee for greater than $100K. We noted this procedure was not consistently followed during the audit year and entries created by the Assistant Superintendent of Business Services were not reviewed by a second knowledgeable person.

Questioned Costs: The condition referred to above was the result of our testing of an attribute of the control system.

Cause: District procedure requiring review by a second person was not consistently followed.

Effect or Potential Effect: Unless each entry is reviewed by a second knowledgeable person, an improper entry, whether intentional or an error, could be posted and not be detected by a District employee performing their regular duties.

Recommendation: We recommend each entry be reviewed and approved by a District employee other than the person creating the entry. The approval should be documented. The details of each entry should be printed, supporting documentation attached and filed in an organized manner.

District Response: The District will adhere to stricter adherence to District policy requiring approval of journal entries.

2015 – 002 - CASH IN COMMERCIAL BANK - 30000

Criteria: Sound accounting practices require transactions occurring in District bank accounts be accounted for completely and accurately in the District's general ledger. Monthly balances reported by the bank should be reconciled to the District balance and differences promptly resolved.

Statement of Condition: During our testing of the Cafeteria and Child Development commercial bank accounts, we noted the District did not record all bank activity occurring in June to the 2014-2015 general ledger. Additionally, the monthly bank statements were not reconciled to the District's monthly balance.

Questioned Costs: The effect is an understatement of cash at June 30, 2015 of $15,274.07.

Cause: The District did not record all commercial bank activity in the general ledger.

Section II - Financial Statements Findings (Continued)

2015 – 002 - CASH IN COMMERCIAL BANK - 30000 (CONCLUDED)

Effect or Potential Effect: A transaction occurred in the commercial bank account that was not recorded in the District's general ledger. Also, unless an accurate reconciliation is performed monthly, errors could occur and not be detected.

Recommendation: The District should maintain an accurate balance for each bank account, updated for all deposits and checks. The monthly bank statement should be accurately reconciled to the District's balance and differences promptly resolved. The District should review the bank activity at year end to accurately report all activity in the District's general ledger.

District Response: The District agrees with the recommendation and will implement in 2015-2016.

Section III – Federal Awards and Questioned Costs

No matters are reported.

Section IV – State Awards and Questioned Costs

No matters are reported.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014 – 001: At the time minutes are approved at a subsequent meeting, the minutes should be signed by the Board President and Clerk and retained as the official version of the minutes.

Current Status:

Accepted
Implemented