

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2014

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FINANCIAL SECTION

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

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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, 2014, 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 misstatements 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, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2014 the North Monterey County Unified School District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 55 and 56 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 December 12, 2014, 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  
Certified Public Accountants

December 12, 2014

# NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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The discussion and analysis of North Monterey County Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 \$270,992, ending the year with available reserves of \$2,380,969 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 \$86 million. After depreciation, the June 30, 2014 book value for fixed assets totaled \$41 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.



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

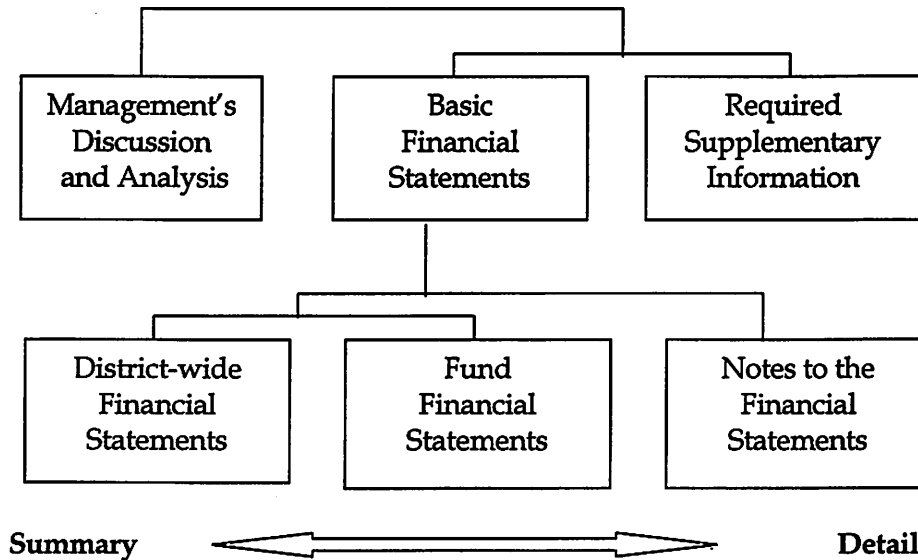
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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.

# NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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### 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 2013-14?"

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**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, Building Fund, and County School Facilities 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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

*The District as a Whole*

The District's net position was \$28 million at June 30, 2014. Of this amount \$13 million was restricted. Net investment in capital assets, account for \$12 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	
		(Restated)
	2014	2013
<b>Assets</b>		
Cash	\$ 33,887,723	\$ 16,177,742
Receivables	4,594,416	5,114,046
Stores inventory	36,038	38,286
Prepaid expenditures	243,488	0
Capital assets	40,945,172	43,365,825
Total assets	<u>\$ 79,706,837</u>	<u>\$ 64,695,899</u>
<b>Liabilities</b>		
Deficit cash	\$ 83,664	
Accounts payable and other current liabilities	6,625,121	\$ 4,293,321
Unearned revenue	64,418	61,856
Unamortized bond premium	0	206,952
Long-term liabilities	45,207,984	30,736,537
Total liabilities	<u>\$ 51,981,187</u>	<u>\$ 35,298,666</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 12,250,196	\$ 14,234,238
Restricted	12,699,420	4,599,649
Unrestricted	2,776,034	10,563,346
Total net position	<u>\$ 27,725,650</u>	<u>\$ 29,397,233</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

*The District as a Whole (Continued)*

The District's net position was \$27,725,650 for the fiscal year ended June 30, 2014. Of this amount, \$2,776,034 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 \$45,207,984 includes installments of voter-approved general obligation bonds. The voters authorized a total of \$20,750,000 of bonded debt in 2002 and \$23,800,000 in 2013. Long-term debt also includes liabilities for employee compensated absences, early retirement incentives and other post-employment benefits. Additionally, the District has issued \$15,300,000 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 \$12,699,420 in restricted balances, \$9,582,751 consists of bond, COP and grant funds restricted for projects.

The District's net asset position decreased \$1,671,583 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 79% of total expenses. The purely administrative activities of the District accounted for just 5% of total costs. The remaining 16% was spent in the areas of plant services, interest on long-term debt and other outgo and other expenses. (See Table 2)

For fiscal year 2013-2014, the total District revenues were \$45,299,481. The total District expenses were \$46,971,064. The difference of \$1,671,583 is the decrease in net position bringing the total net position at June 30, 2014 to \$27,725,650. The main functions of expenses for District operations are instruction, instruction related services and pupil services.

The cost of all governmental activities this year was \$46,971,064. However, the amount our taxpayers ultimately financed for these activities through local taxes was only \$18,625,331. The amount that was financed by other government agencies and organizations that subsidized certain programs with grants and contributions was \$11,008,232.

The remaining revenue consisted of charges for services, other local grants, and interest income. Taxes levied for debt service accounted for \$1,811,773. This is based on General Obligation Bonds approved by the electorate in November 2002 and November 2013.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	
	2014	2013
<b>Revenues</b>		
Program revenues	\$ 11,293,465	\$ 18,158,990
General revenues		
Taxes	18,625,331	16,049,144
Federal and State Aid not restricted to specific purposes	14,860,011	12,997,345
Interest and investment earnings	106,516	44,188
Interagency revenues	414,158	78,074
Miscellaneous	0	408,377
Total revenues	<u>45,299,481</u>	<u>47,736,118</u>
<b>Expenses</b>		
Instruction	26,370,018	24,197,541
Instruction related services	4,896,048	4,794,063
Pupil support services	6,295,924	6,028,545
General administration	2,460,931	2,573,873
Plant services	3,775,598	3,717,017
Other	3,172,545	4,939,872
Total expenses	<u>46,971,064</u>	<u>46,250,911</u>
Increase (Decrease) in net position	<u>\$ (1,671,583)</u>	<u>\$ 1,485,207</u>

# NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

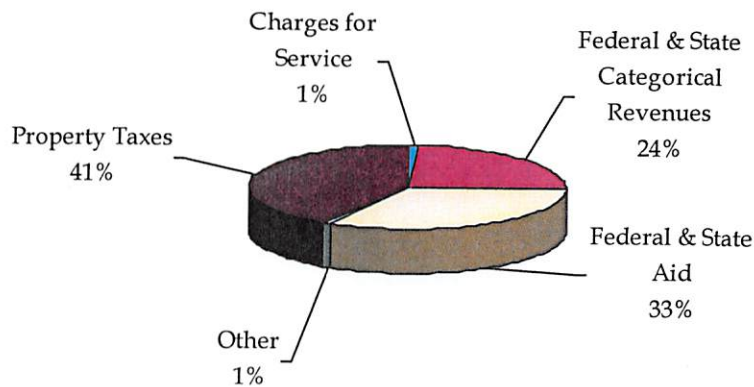
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

### FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

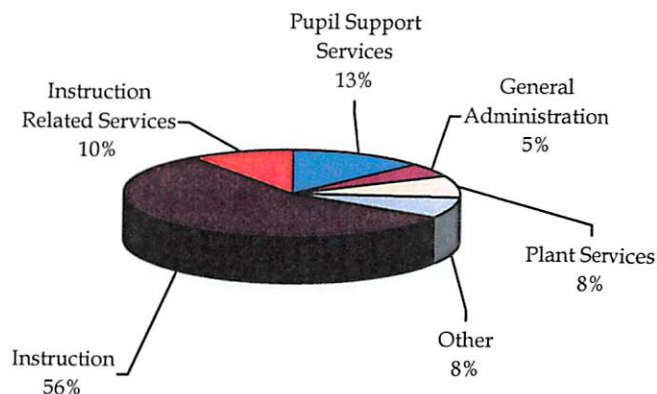
#### Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$47 million. The amount that our local taxpayers financed for these activities through property taxes was \$19 million. Federal and State aid not restricted to specific purposes totaled \$15 million. State and Federal Categorical revenue totaled over \$11 million, or 24% of the revenue of the entire District (See Figure 1).

**Sources of Revenue for the 2013-2014 Fiscal Year**  
**Figure 1**



**Expenses for the Fiscal Year 2013-2014**  
**Figure 2**



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**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 \$32.2 million, an increase of \$15 million from the previous fiscal year's combined ending balance of \$17.2 million. This increase is mainly reflected in the Building Fund due to \$15.5 million in General Obligation Bonds issued for capital projects.

**Table 3**  
**District's Fund Balances**

	<u>Fund Balance</u> <u>06/30/14</u>	<u>Fund Balance</u> <u>06/30/13</u>	<u>Increase/</u> <u>(Decrease)</u>
01 General	\$ 5,521,970	\$ 5,250,978	\$ 270,992
12 Child Development	213,664	218,028	(4,364)
13 Cafeteria	1,786,054	1,726,947	59,107
21 Building	14,671,551	343,413	14,328,138
25 Capital Facilities	121,546	91,624	29,922
35 County Schools Facilities Fund		7,334,100	(7,334,100)
40 Special Reserve Fund for Capital Outlay Projects		1,046,695	(1,046,695)
51 Bond Interest & Redemption	1,611,034	1,151,255	459,779
56 Debt Service Fund	<u>8,315,190</u>		<u>8,315,190</u>
Total	<u>\$ 32,241,009</u>	<u>\$ 17,163,040</u>	<u>\$ 15,077,969</u>

**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.



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District uses \$5,000 as its capitalization threshold. By the end of the 2013-2014 fiscal year, the District had invested \$85 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 \$41.7 million of depreciation, were \$40.9 million at June 30, 2014, which is a decrease of \$2.4 million from the previous year.

**Table 4**  
**Comparative Schedule of Capital Assets**  
**(net of depreciation)**  
**June 30, 2014 and 2013**

	2014	2013	Difference Increase (Decrease)
Land	\$ 1,061,512	\$ 1,061,512	
Site Improvements	1,125,031	1,208,575	\$ (83,544)
Buildings	37,325,071	39,512,131	(2,187,060)
Machinery and Equipment	1,357,554	1,583,607	(226,053)
Work in Process	76,004	0	76,004
Totals	<u>\$ 40,945,172</u>	<u>\$ 43,365,825</u>	<u>\$ (2,420,653)</u>

The primary increases in capital assets include the purchase of a new van and technology equipment. The District recognized depreciation expense in each category, resulting in an overall decrease.

**Long-Term Debt**

At June 30, 2014, the District had \$45.2 million in long-term debt outstanding, which included \$15.5 million for the 2013, Series A General Obligation Bond issued during 2013-2014.

**Table 5**  
**Comparative Schedule of Outstanding Debt**  
**June 30, 2014 and 2013**

	2014	2013
General Obligation Bonds	\$ 31,190,000	\$ 16,405,000
Certificates of Participation	12,520,000	13,070,000
Early Retirement Incentives	52,180	0
Other Post-employment Benefits	1,428,411	1,156,499
Compensated Absences	17,393	105,038
Totals	<u>\$ 45,207,984</u>	<u>\$ 30,736,537</u>

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

# **NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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### **CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

#### **Long-Term Debt (Concluded)**

The long-term debt paid by the District in 2013-14 was approximately \$1.4 million, which included the refunding payment of \$215 thousand on the 2002 Series A bonds.

### **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 2014-2015 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, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash (Note 2)	\$ 33,887,723
Accounts Receivable (Note 4)	4,594,416
Stores Inventory (Note 1H)	36,038
Prepaid Expenses (Note 1H)	243,488
Capital Assets, Net of Depreciation (Note 6)	<u>40,945,172</u>
Total Assets	<u><u>\$ 79,706,837</u></u>
<u>Liabilities</u>	
Deficit Cash (Note 2)	\$ 83,664
Accounts Payable and Other Current Liabilities	6,625,121
Unearned Revenue (Note 1H)	64,418
Long-term Liabilities (Note 10):	
Due Within One Year	\$ 1,988,787
Due After One Year	<u>43,219,197</u>
Total Long-Term Liabilities	<u>45,207,984</u>
Total Liabilities	<u><u>\$ 51,981,187</u></u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 12,250,196
Restricted For:	
Capital Projects	121,546
Debt Service	9,582,751
Education Programs	1,209,069
Other Purposes (Expendable)	1,786,054
Unrestricted	<u>2,776,034</u>
Total Net Position	<u><u>\$ 27,725,650</u></u>

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, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 26,370,018	\$ 94,336	\$ 4,810,640	\$ 4,421	\$ (21,460,621)
Instruction-Related Services:					
Supervision of Instruction	1,604,141	2,809	1,212,034		(389,298)
Instructional Library, Media and Technology	290,834		1,830		(289,004)
School Site Administration	3,001,073	4,651	320,685		(2,675,737)
Pupil Services:					
Home-To-School Transportation	1,829,742		137,621		(1,692,121)
Food Services	2,288,106	176,458	2,316,144		204,496
All Other Pupil Services	2,178,076		448,020		(1,730,056)
General Administration:					
Data Processing	461,342		38,238		(423,104)
All Other General Administration	1,999,589	6,505	536,895		(1,456,189)
Plant Services	3,775,598	474	38,291		(3,736,833)
Ancillary Services	230,307		66		(230,241)
Enterprise Activities	294,155				(294,155)
Interest on Long-Term Debt	725,968				(725,968)
Other Outgo	1,922,115		1,143,347		(778,768)
Total Governmental Activities	\$ 46,971,064	\$ 285,233	\$ 11,003,811	\$ 4,421	(35,677,599)
General Revenues:					
Property Taxes Levied For:					
General Purposes					16,650,651
Debt Service					1,811,773
Other Specific Purposes					162,907
Federal and State Aid Not Restricted to Specific Purposes					14,860,011
Interest and Investment Earnings					106,516
Interagency Revenues					414,158
Total General Revenues					34,006,016
Change (Decrease) in Net Position					(1,671,583)
Net Position Beginning (Restated - Note 15)					29,397,233
Net Position Ending					\$ 27,725,650

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	Debt Service Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash (Note 2)	\$ 6,525,952	\$ 343,420	\$ 15,028,144	\$ 7,364,329	\$ 4,625,878	\$ 33,887,723
Accounts Receivable (Note 4)	4,008,510				585,794	4,594,304
Due From Other Funds (Note 5)	722,166	8,827,113	68,724		62,555	9,680,558
Stores Inventory (Note 1H)					36,038	36,038
Prepaid Expenditures (Note 1H)	243,488					243,488
Total Assets	<u>\$ 11,500,116</u>	<u>\$ 9,170,533</u>	<u>\$ 15,096,868</u>	<u>\$ 7,364,329</u>	<u>\$ 5,310,265</u>	<u>\$ 48,442,111</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Deficit Cash (Note 2)					\$ 27,183	\$ 27,183
Accounts Payable	\$ 5,632,272	\$ 1,978	\$ 12,132		483,830	6,130,212
Unearned Revenue (Note 1H)	47,062				17,356	64,418
Due to Other Funds (Note 5)	298,812	853,365	413,185	\$ 7,364,329	1,049,598	9,979,289
Total Liabilities	<u>5,978,146</u>	<u>855,343</u>	<u>425,317</u>	<u>7,364,329</u>	<u>1,577,967</u>	<u>16,201,102</u>
Fund Balances (Note 1H):						
Nonspendable	248,488				36,038	284,526
Restricted	995,405	8,315,190	14,671,551		3,696,260	27,678,406
Assigned	1,897,108					1,897,108
Unassigned	2,380,969					2,380,969
Total Fund Balances	<u>5,521,970</u>	<u>8,315,190</u>	<u>14,671,551</u>	<u>0</u>	<u>3,732,298</u>	<u>32,241,009</u>
Total Liabilities and Fund Balances	<u>\$ 11,500,116</u>	<u>\$ 9,170,533</u>	<u>\$ 15,096,868</u>	<u>\$ 7,364,329</u>	<u>\$ 5,310,265</u>	<u>\$ 48,442,111</u>

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, 2014

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Total fund balance - governmental funds	\$	32,241,009
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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:	\$	85,532,073	
Accumulated depreciation:		(44,586,901)	
Net:			40,945,172

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 unmatrued interest owing at the end of the period was:

(494,909)

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	\$	31,190,000	
Certificates of participation		12,520,000	
Early retirement incentives		52,180	
Other post-employment benefits		1,428,411	
Compensated absences		17,393	
Total			(45,207,984)

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:

242,362

Total net position - governmental activities

\$	27,725,650
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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, 2014

	General Fund	Debt Service Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local Control Funding Formula Sources						
State Apportionments	\$ 14,183,499					\$ 14,183,499
Local Sources	16,581,856					16,581,856
Total Local Control Funding Formula Sources	30,765,355					30,765,355
Federal Revenue	3,376,847				\$ 2,337,110	5,713,957
Other State Revenue	3,027,958				925,368	3,953,326
Other Local Revenue	2,437,591		\$ 997	\$ 30,229	2,398,024	4,866,841
Total Revenues	39,607,751		997	30,229	5,660,502	45,299,479
<b>Expenditures</b>						
Certificated Salaries	17,363,396				492,018	17,855,414
Classified Salaries	6,916,161		33,407		1,053,488	8,003,056
Employee Benefits	7,388,795		12,210		483,666	7,884,671
Books and Supplies	2,575,750		40,881		1,281,383	3,898,014
Services and Other						
Operating Expenditures	3,457,620		317,350		113,805	3,888,775
Capital Outlay	154,556		81,130		205,436	441,122
Debt Service:						
Principal Retirement		\$ 550,000			715,000	1,265,000
Interest and Fiscal Charges		236,618			639,225	875,843
Other Outgo	1,480,481				129,134	1,609,615
Total Expenditures	39,336,759	786,618	484,978	0	5,113,155	45,721,510
Excess of Revenues Over (Under) Expenditures	270,992	(786,618)	(483,981)	30,229	547,347	(422,031)
Other Financing Sources (Uses):						
Operating Transfers In (Note 5)		9,101,808				9,101,808
Operating Transfers Out (Note 5)			(687,881)	(7,364,329)	(1,049,598)	(9,101,808)
Other Sources			15,500,000			15,500,000
Total Other Financing Sources (Uses)	0	9,101,808	14,812,119	(7,364,329)	(1,049,598)	15,500,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	270,992	8,315,190	14,328,138	(7,334,100)	(502,251)	15,077,969
Fund Balances - July 1, 2013	5,250,978	0	343,413	7,334,100	4,234,549	17,163,040
Fund Balances - June 30, 2014	\$ 5,521,970	\$ 8,315,190	\$ 14,671,551	\$ 0	\$ 3,732,298	\$ 32,241,009

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, 2014

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Net change in fund balances - total governmental funds	\$	15,077,969
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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:	\$	433,717	
Depreciation expense:		(2,854,370)	
Net:			(2,420,653)

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:	1,265,000
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Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:	(15,500,000)
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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:	(57,076)
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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:	87,645
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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:	(271,912)
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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:	(52,180)
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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 (CONCLUDED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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:

206,952

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 increase or decrease in internal service funds was:

(7,328)

Total change (decrease) in net position - governmental activities

\$ (1,671,583)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Governmental Activities: Internal Service Fund <u>Self-Insurance Fund</u>
<u>Assets</u>	
Current assets	
Accounts Receivable (Note 4)	\$ 112
Due From Other Funds	<u>298,731</u>
Total Assets	<u>\$ 298,843</u>
<u>Liabilities</u>	
Current Liabilities	
Deficit Cash (Note 2)	\$ <u>56,481</u>
Total Liabilities	<u>\$ 56,481</u>
<u>Net Position</u>	
Unrestricted	\$ <u>242,362</u>
Total Net Position	<u>\$ 242,362</u>

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, 2014

	Governmental Activities: Internal Service Fund <u>Self-Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums	\$ 376,507
Total Operating Revenue	<u>376,507</u>
<u>Operating Expenses</u>	
Contract Services and Other Operating Expenses	<u>385,750</u>
Total Operating Expenses	<u>385,750</u>
Operating Income (Loss)	<u>(9,243)</u>
<u>Non-Operating Sources (Uses)</u>	
Interest Income	<u>1,915</u>
Total Non-Operating Sources	<u>1,915</u>
Net Income (Loss)	(7,328)
Total Net Position - July 1, 2013	<u>249,690</u>
Total Net Position - June 30, 2014	<u><u>\$ 242,362</u></u>

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, 2014

	Governmental Activities: Internal Service Fund Self-Insurance Fund
Cash Flows from Operating Activities	
Cash Received from Other Local Income - Premiums	\$ 106,237
Cash Paid for Services and Other Operating Expenses	<u>(385,750)</u>
Net Cash Provided (Used) by Operating Activities	<u>(279,513)</u>
Cash Flows from Investing Activities	
Interest Income Received	1,915
Transfer to the General Fund	<u>(400,373)</u>
Net Cash Provided (Used) by Investing Activities	<u>(398,458)</u>
Net Increase (Decrease) in Cash	(677,971)
Cash, July 1, 2013	<u>621,490</u>
Cash (Deficit), June 30, 2014	<u><u>\$ (56,481)</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (9,243)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease (Increase) in Accounts Receivable	28,461
Decrease (Increase) in Due From Other Funds	<u>(298,731)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (279,513)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

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	<u>Agency Funds</u>
<u>Assets</u>	
Cash (Note 2)	\$ 143,334
Total Assets	<u>\$ 143,334</u>
<u>Liabilities</u>	
Due to Student Groups	\$ 143,334
Total Liabilities	<u>\$ 143,334</u>
<u>Net Position</u>	
Total Net Position	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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.



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 (or retained earnings), revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary and fiduciary funds as follows:

MAJOR GOVERNMENTAL 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 general long-term debt.

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

County School Facilities Fund is used to account for the State allocation and District matches and related expenditures made for modernization, new construction and hardship projects.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to report the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay, and that comprise a substantial portion of the fund's resources. The District maintains two non-major special revenue funds:

1. Child Development Fund is used to account for resources committed to child development programs maintained by the District.
2. Cafeteria Fund is used to account separately for federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)

Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. The District maintains one non-major debt service fund:

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

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District maintains two non-major capital project funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.
2. Special Reserve Fund for Capital Outlay Projects is used for accumulation of revenue and expenditures for Board designated capital projects.

PROPRIETARY FUNDS

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

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. (See Note 3)

The District did not adopt a budget for the Bond Interest and Redemption Fund in 2013-14.

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.

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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. 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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

5. 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.

6. 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.

7. 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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. 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".

8. 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.

9. 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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Assets, Liabilities and Equity (Continued)**

**9. Fund Equity (Continued)**

*Fund Balances*

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving Fund	\$ 5,000				\$ 5,000
Stores Inventory				\$ 36,038	36,038
Prepaid Expenditures	243,488				243,488
<b>Total Nonspendable Fund Balance</b>	<b>248,488</b>			<b>36,038</b>	<b>284,526</b>
<b>Restricted For:</b>					
Legally Restricted Categorical Funding	995,405				995,405
Debt Service		\$ 8,315,190		1,611,034	9,926,224
Future Capital Projects			\$ 14,671,551		14,671,551
Child Development Program				213,664	213,664
Cafeteria Food Program				1,750,016	1,750,016
Capital Facilities Projects				121,546	121,546
<b>Total Restricted Fund Balance</b>	<b>995,405</b>	<b>8,315,190</b>	<b>14,671,551</b>	<b>3,696,260</b>	<b>27,678,406</b>
<b>Assigned For:</b>					
Bus Replacement	200,000				200,000
State Special Schools	40,000				40,000
1/2% Restrictive Maintenance	194,000				194,000
PE Fitness Mandate	45,000				45,000
Instructional Materials	150,579				150,579
ROP	2,977				2,977
Deficit Spending Offset	435,000				435,000
Other Assignments	6,884				6,884
Deferred Maintenance Projects	587,036				587,036
Adult Education Carryover	235,632				235,632
<b>Total Assigned Fund Balance</b>	<b>1,897,108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,897,108</b>
<b>Unassigned:</b>					
Reserve for Economic Uncertainties	1,195,000				1,195,000
Other Unassigned	1,185,969				1,185,969
<b>Total Unassigned Fund Balance</b>	<b>2,380,969</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,380,969</b>
<b>Total Fund Balances</b>	<b>\$ 5,521,970</b>	<b>\$ 8,315,190</b>	<b>\$ 14,671,551</b>	<b>\$ 3,732,298</b>	<b>\$ 32,241,009</b>



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. 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.

10. 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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

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

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.

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 65, *Items Previously Reported as Assets and Liabilities* in March, 2013. GASB 65 was intended to compliment Statement No. 63 by identifying items previously reported as assets and liabilities that should be classified as deferred outflows or deferred inflows going forward. The District was required to implement the Statement 65 in 2013-2014.

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 Statement is effective beginning in fiscal year 2014-2015.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in April 2013 to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The Statement is effective beginning in fiscal year 2013-2014. The District does not have nonexchange financial guarantees and therefore the adoption of GASB 70 does not have any impact on the District's financial statements.

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 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. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2014:

<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>		
<u>\$33,860,540</u>	<u>\$(56,481)</u>	<u>\$33,804,059</u>	<u>\$143,334</u>	<u>\$33,947,393</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 2 - CASH (CONTINUED)

A. Summary of Cash (Concluded)

The District had the following cash at June 30, 2014:

	Fair Value	Carrying Amount
Cash in Banks	\$ 162,298	\$ 162,298
Cash in Revolving Fund	5,000	5,000
Cash with Fiscal Agent	343,420	343,420
Cash in County Treasury (net of \$83,664 deficit cash)	33,408,063	33,436,675
Total Cash	<u>\$ 33,918,781</u>	<u>\$ 33,947,393</u>

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

The Policy, in addition to State statutes, 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, 2014 the carrying amount of the District's accounts was \$167,298, all of which was insured.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

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, Natixis Funding Guaranteed Investment Contract, and the Local Agency Investment Fund.

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 \$987,543,563. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$986,698,521. 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.

The District ended the year with a negative cash balance in the Child Development Fund (\$27,183) and in the Self-Insurance Fund (\$56,481). Under policies set by Monterey County Treasurer's Office, the District is allowed to carry a negative cash balance in a fund as long as combined District cash is positive. The District is charged interest on the negative balance by the County Treasurer.

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONTINUED)

C. Risk Disclosures (Continued)

At June 30, 2014 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>4 and More</u>
Cash with Fiscal Agent	\$ 343,420	\$ 343,420		
County Treasury	<u>33,408,063</u>	<u>21,050,421</u>	<u>\$11,669,436</u>	<u>\$688,206</u>
Total	<u>\$33,751,483</u>	<u>\$21,393,841</u>	<u>\$11,669,436</u>	<u>\$688,206</u>

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

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S &amp; P's Rating</u>
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
Local Agency Investment Fund	Not Rated	Not Rated

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
Debt Service Fund	
Debt Service-Principal Retirement	\$ 550,000
Debt Service-Interest	236,618
Building Fund	
Certificated Salaries	
Classified Salaries	33,407
Employee Benefits	12,210
Food and Supplies	35,231
Contract Services	248,636
Capital Outlay	42,630
Transfers Out	275,754
County School Facilities Fund	
Transfers Out	2,229
Non-Major Governmental Funds:	
Cafeteria Fund	
Classified Salaries	13,899

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 consist of the following:

	Governmental Funds			Proprietary Fund
	General Fund	Other Governmental Funds	Total	Self Insurance Fund
Federal Government				
Categorical Aid Programs	\$ 1,728,859	\$ 321,542	\$ 2,050,401	
State Government				
Local Control Funding Formula	1,147,952		1,147,952	
Categorical Aid Programs	281,637	54,293	335,930	
Lottery	324,487		324,487	
Other	9,150	20,737	29,887	
Total State Government	1,763,226	75,030	1,838,256	
Local Government	407,852	469	408,321	
Interest	7,843	1,686	9,529	
Miscellaneous	100,730	187,067	287,797	\$ 112
Total Accounts Receivable	<u>\$ 4,008,510</u>	<u>\$ 585,794</u>	<u>\$ 4,594,304</u>	<u>\$ 112</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at 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.



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2014 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 722,166	\$ 298,812
Debt Service Fund	8,827,113	853,365
Building Fund	68,724	413,185
County School Facilities Fund		7,364,329
Non-Major Governmental Funds:		
Adult Education Fund	80	
Capital Facilities Fund	62,475	
Special Reserve Fund for Capital Outlay Projects		1,049,598
Total	<u>9,680,558</u>	<u>9,979,289</u>
Proprietary Funds:		
Self Insurance Fund	<u>298,731</u>	
Total	<u>\$ 9,979,289</u>	<u>\$ 9,979,289</u>

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 2013-2014 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
Debt Service Fund	\$ 9,101,808	
Building Fund		\$ 687,881
County School Facilities Fund		7,364,329
Non-Major Governmental Funds:		
Special Reserve Fund for Capital Outlay Projects		1,049,598
Total	<u>\$ 9,101,808</u>	<u>\$ 9,101,808</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)**

**Interfund Transfers (Concluded)**

Transfer of \$687,881 from the Building Fund to the Debt Service Fund to house the debt service as it pertains to the 2006 and 2010 Certificates of Participation.

Transfer of \$7,364,329 from the County School Facilities Fund to the Debt Service Fund to house the debt service as it pertains to the 2006 and 2010 Certificates of Participation.

Transfer of \$1,049,598 from Special Reserve for Capital Outlay Projects to Debt Service Fund to house the debt service as it pertains to the 2006 and 2010 Certificates of Participation.

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2014, is shown below:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 1,061,512			\$ 1,061,512
Work in progress		\$ 76,004		76,004
Total capital assets, not being depreciated	<u>1,061,512</u>	<u>76,004</u>	<u>\$ 0</u>	<u>1,137,516</u>
Capital assets being depreciated:				
Buildings	69,966,837	300,306		70,267,143
Improvements of sites	8,736,944			8,736,944
Equipment	5,333,063	57,407		5,390,470
Total capital assets, being depreciated	<u>84,036,844</u>	<u>357,713</u>	<u>0</u>	<u>84,394,557</u>
Less accumulated depreciation for:				
Buildings	30,454,706	2,487,367		32,942,073
Improvements of sites	7,528,369	83,543		7,611,912
Equipment	3,749,456	283,460		4,032,916
Total accumulated depreciation	<u>41,732,531</u>	<u>2,854,370</u>	<u>0</u>	<u>44,586,901</u>
Total capital assets, being depreciated, net	<u>42,304,313</u>	<u>(2,496,657)</u>	<u>0</u>	<u>39,807,656</u>
Governmental activities capital assets, net	<u>\$ 43,365,825</u>	<u>\$ (2,420,653)</u>	<u>\$ 0</u>	<u>\$ 40,945,172</u>

Depreciation expense charged to governmental activities as follows:

**Governmental Activities:**

Instruction	<u>\$2,854,370</u>
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NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - 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, 2014, is:

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 01, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
2003	2.50-3.50	2028	\$ 7,000,000	\$ 215,000		\$ 215,000	\$ 0
2005	2.50-4.75	2030	13,750,000	11,765,000		440,000	11,325,000
2012	2.50	2028	4,425,000	4,425,000		60,000	4,365,000
2014	2.00-4.00	2044	15,500,000	0	\$ 15,500,000	0	15,500,000
			<u>\$ 40,675,000</u>	<u>\$ 16,405,000</u>	<u>\$ 15,500,000</u>	<u>\$ 715,000</u>	<u>\$ 31,190,000</u>

The annual requirement to amortize the general obligation bonds payable, outstanding as of June 30, 2014, is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,275,000	\$ 1,218,167	\$ 2,493,167
2016	1,225,000	1,222,256	2,447,256
2017	850,000	1,179,132	2,029,132
2018	905,000	1,149,531	2,054,531
2019	960,000	1,114,744	2,074,744
2020-2024	5,710,000	4,993,911	10,703,911
2025-2029	7,070,000	3,793,760	10,863,760
2030-2034	3,415,000	2,545,313	5,960,313
2035-2039	3,970,000	1,746,250	5,716,250
2040-2044	5,810,000	724,400	6,534,400
Totals	<u>\$ 31,190,000</u>	<u>\$ 19,687,464</u>	<u>\$ 50,877,464</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014 is:

Date of Issue	Interest Rate %	Maturity Date (August 1)	Amount of Original Issue	Outstanding July 01, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014
2006	4.0-4.9	2036	\$ 5,300,000	\$ 4,680,000			\$ 4,680,000
2010	5.75-7.0	2027	10,000,000	8,390,000		\$ 550,000	7,840,000
Total			<u>\$ 15,300,000</u>	<u>\$ 13,070,000</u>	<u>\$ 0</u>	<u>\$ 550,000</u>	<u>\$ 12,520,000</u>

The annual requirements to amortize the certificates of participation as of June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 680,000	\$ 738,184	\$ 1,418,184
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
2020-2024	3,855,000	2,269,822	6,124,822
2025-2029	2,935,000	1,335,264	4,270,264
2030-2034	1,285,000	390,898	1,675,898
2035-2037	930,000	69,825	999,825
Totals	<u>\$ 12,520,000</u>	<u>\$ 7,362,425</u>	<u>\$ 19,882,425</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 9 - 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.

*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	\$ 347,207
Interest on net OPEB obligation	57,825
Adjustment to annual required contribution	<u>(55,662)</u>
Annual OPEB cost (expense)	349,370
Contributions made	<u>(77,458)</u>
Increase in net OPEB obligation	271,912
Net OPEB obligation - beginning of year	<u>1,156,499</u>
Net OPEB obligation - end of year	<u>\$1,428,411</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Annual OPEB Cost and Net OPEB Obligation (Concluded)*

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, 2014, 2013 and 2012 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$349,370	22%	\$1,428,411
June 30, 2013	\$343,331	20%	\$1,156,499
June 30, 2012	\$303,132	22%	\$ 882,162

*Funded Status and Funding Progress*

As of February 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3.3 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)	\$3,271,869
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$3,271,869</u>
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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

*Actuarial Methods and Assumptions (Concluded)*

In the February 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.0% 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 3% 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, 2014, was thirty years.

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds	\$ 16,405,000	\$ 15,500,000	\$ 715,000	\$ 31,190,000	\$ 1,275,000
Other Post-employment Benefits	1,156,499	349,370	77,458	1,428,411	
Early Retirement Incentives		52,180		52,180	16,394
Compensated Absences	105,038		87,645	17,393	17,393
Certificates of Participation	13,070,000		550,000	12,520,000	680,000
Totals	<u>\$ 30,736,537</u>	<u>\$ 15,901,550</u>	<u>\$ 1,430,103</u>	<u>\$ 45,207,984</u>	<u>\$ 1,988,787</u>

The compensated absences and other post-employment benefits 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. It is expected that payments towards the 2010 certificates of participation will likely be made from the General Fund with unrestricted resources.

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

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95805.

*Funding Policy.* Active plan members are required to contribute 8.0% of their salary and the North Monterey County Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The North Monterey County Unified School District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$1,396,195, \$1,353,763 and \$1,307,655, respectively, and equal 100% of the required contributions for each year.

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 95811.

*Funding Policy.* Active plan members are required to contribute 7.0% of their salary and the North Monterey County Unified School District is required to contribute an actuarially 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% of annual payroll. The contribution requirements of the plan members are established by State statute. The North Monterey County Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$1,264,393, \$1,110,750 and \$993,594, respectively and equal 100% of the required contributions for each year.



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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 State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

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 Monterey Educational Risk Management Authority (MERMA) 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, 2014.

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 2014, the District participated in the MERMA 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 NET POSITION

The amounts previously reported as net position at June 30, 2013 on the Government-Wide Statement of Net Position have been restated due the implementation of Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. The June 30, 2013 Net Position is restated to eliminate the unamortized debt issuance costs previously reported as an asset on the District's Statement of Net Position. The effect of this restatement is a decrease in the June 30, 2013 total Net Position of \$621,454 as follows:

	<u>Government-Wide Financial Statements</u>
Net Position, June 30, 2013 as originally reported	\$30,018,687
Eliminate debt issuance costs reported as an asset	<u>(621,454)</u>
Net Position, June 30, 2013, as restated	<u>\$29,397,233</u>

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2014, 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, 2014

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Local Control Funding Formula Sources:				
State Apportionments	\$ 10,366,079	\$ 13,978,956	\$ 14,183,499	\$ 204,543
Local Sources	<u>12,752,157</u>	<u>16,750,070</u>	<u>16,581,856</u>	<u>(168,214)</u>
Total Local Control Funding Formula Sources	23,118,236	30,729,026	30,765,355	36,329
Federal Revenue	3,580,528	4,130,713	3,376,847	(753,866)
Other State Revenue	7,613,536	2,891,027	3,027,958	136,931
Other Local Revenue	<u>2,707,718</u>	<u>2,569,560</u>	<u>2,437,591</u>	<u>(131,969)</u>
Total Revenues	<u>37,020,018</u>	<u>40,320,326</u>	<u>39,607,751</u>	<u>(712,575)</u>
<u>Expenditures</u>				
Certificated Salaries	16,548,896	17,584,199	17,363,396	220,803
Classified Salaries	6,902,677	7,017,837	6,916,161	101,676
Employee Benefits	7,594,942	7,654,994	7,388,795	266,199
Books and Supplies	1,758,469	3,784,384	2,575,750	1,208,634
Services and Other Operating Expenditures	3,392,819	3,949,840	3,457,620	492,220
Capital Outlay	81,000	195,875	154,556	41,319
Other Outgo	<u>2,235,127</u>	<u>1,817,668</u>	<u>1,480,481</u>	<u>337,187</u>
Total Expenditures	<u>38,513,930</u>	<u>42,004,797</u>	<u>39,336,759</u>	<u>2,668,038</u>
Excess of Revenues Over (Under) Expenditures	(1,493,912)	(1,684,471)	270,992	1,955,463
Fund Balances - July 1, 2013	<u>4,513,399</u>	<u>5,250,978</u>	<u>5,250,978</u>	<u>0</u>
Fund Balances - June 30, 2014	<u>\$ 3,019,487</u>	<u>\$ 3,566,507</u>	<u>\$ 5,521,970</u>	<u>\$ 1,955,463</u>

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, 2014

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
6/30/12	February 1, 2011	\$ -	\$ 3,519,150	\$ 3,519,150	0%	\$ 15,737,006	22%
6/30/13	February 1, 2013	\$ -	\$ 3,271,869	\$ 3,271,869	0%	\$ 19,915,390	16%
6/30/14	February 1, 2013	\$ -	\$ 3,271,870	\$ 3,271,870	0%	\$ 20,512,850	16%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

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.

SUPPLEMENTARY INFORMATION



NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

MOSS LANDING, CALIFORNIA

JUNE 30, 2014

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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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gary De Amaral	President	November 2015
Jennifer Skidgel - Clarke	Vice-President	November 2015
Polly Jimenez	Clerk	November 2017
Mike Deckelman	Member	November 2015
Linda Lines	Member	November 2017

ADMINISTRATION

Kari Yeater  
Superintendent and Secretary of Board

Lianne Reyes  
Assistant Superintendent Business Services

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	1,410	1,413
Fourth through Sixth	965	965
Seventh and Eighth	573	571
Ninth through Twelfth	1,201	1,179
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Fourth through Sixth	1	2
Ninth through Twelfth	1	1
ADA Totals	<u>4,151</u>	<u>4,131</u>

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.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
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	54,013	180	In Compliance
Grade 5	54,000	52,500	54,115	180	In Compliance
Grade 6	54,000	52,500	54,115	180	In Compliance
Grade 7	54,000	52,500	57,540	180	In Compliance
Grade 8	54,000	52,500	57,540	180	In Compliance
Grade 9	64,800	63,000	64,830	180	In Compliance
Grade 10	64,800	63,000	64,830	180	In Compliance
Grade 11	64,800	63,000	64,830	180	In Compliance
Grade 12	64,800	63,000	64,830	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 2013-2014 and 2014-2015 school years, 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).

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014.

SEE NOTES TO SUPPLEMENTARY INFORMATION

# NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 1,455,934
School Breakfast Needy	10.553	13526	678,496
Meal Supplements	10.556	13528	47,883
Child Nutrition: CACFP Claims - Centers & Family Day Care	10.558	13393	<u>8,028</u>
Total U.S. Department of Agriculture			<u>2,190,341</u>
US. Department of Education:			
Passed through CDE:			
Title I Cluster:			
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010*	14329	688,687
NCLB: Title I, Migrant Ed Summer Program	84.011*	10005	271,821
NCLB: Title I, Part A, Program Improvement LEA Corrective Action			
Extensive Performance Problems	84.010*	14955	1,415
NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011*	14326	420,780
NCLB: Title I, Part G, Advance Placement (AP) Test Fee Reimbursement Program	84.330B *	14831	<u>6,344</u>
Subtotal Title I Cluster			<u>1,389,047</u>
NCLB: Title I, School Improvement Grant (SIG)	84.377	14971	1,139,721
IDEA, Basic Local Assistance, Part B, Section 611	84.027*	13379	534,764
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	35,978
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	98,756
NCLB: Title II, Part A, Teacher Quality	84.367	14341	<u>128,595</u>
Total U.S. Department of Education			<u>3,326,861</u>
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	49,986
Passed through CDE:			
Child Care and Development Block Grant Cluster:			
Child Development: Federal Child Care, Center Based	93.575	15136	45,234
Child Development: Federal Child Care, Center Based	93.596	13609	<u>101,535</u>
Total U.S. Department of Health and Human Services			<u>196,755</u>
Total Federal Programs			<u>\$ 5,713,957</u>

\* Denotes a major program.

\*\* Does not include federal commodities received by the District, valued at \$115,240.

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, 2014

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Debt Service Fund	Building Fund
June 30, 2014, Annual Unaudited Actual Financial Report Fund Balance	\$ 4,699,302	\$ 235,632	\$ 587,036	\$ 2,080,988	\$ 7,971,718	\$ 15,015,025
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.	822,668	(235,632)	(587,036)			
Overstatement of Proceeds from Bond Issuance				(469,954)		
(Overstatement) Understatement of Cash in County Treasury					343,473	(343,473)
Net Adjustments and Reclassifications	822,668	(235,632)	(587,036)	(469,954)	343,473	(343,473)
June 30, 2014, Audited Financial Statement Fund Balance	\$ 5,521,970	\$ 0	\$ 0	\$ 1,611,034	\$ 8,315,191	\$ 14,671,552

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, 2014.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget 2014-2015	2013-2014	2012-2013	2011-2012
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 41,593,871	\$ 39,607,751	\$ 37,331,526	\$ 36,220,996
Expenditures	41,908,493	39,336,759	38,390,337	37,325,227
Other Uses and Transfers Out	21,881	0	175,000	21,000
Total Outgo	41,930,374	39,336,759	38,565,337	37,346,227
Change in Fund Balance (Deficit)	(336,503)	270,992	(1,233,811)	(1,125,231)
Ending Fund Balance	\$ 2,803,879	\$ 5,521,970	\$ 5,250,978	\$ 6,484,789
Available Reserves	\$ 1,342,420	\$ 2,380,969	\$ 3,982,158	\$ 5,216,981
Reserve for Economic Uncertainties	\$ 1,260,000	\$ 1,195,000	\$ 973,791	\$ 0
Unassigned Fund Balance	\$ 82,420	\$ 1,185,969	\$ 3,008,367	\$ 5,216,981
Available Reserves as a Percentage of Total Outgo	3.2%	6.1%	10.3%	14.0%
Total Long-Term Debt	\$ 43,219,197	\$ 45,207,984	\$ 30,736,537	\$ 31,520,534
Average Daily Attendance at P-2	4,169	4,151	4,042	4,141

The General Fund balance has decreased by \$2,088,050 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 \$13,687,450 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 10 during the past two years.

The amounts reported as Budget 2014-2015 are presented for additional analysis and have not been audited.

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2014

	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
<u>Assets</u>						
Cash	\$ 14,004	\$ 1,422,276	\$ 2,080,988	\$ 59,012	\$ 1,049,598	\$ 4,625,878
Accounts Receivable	244,007	341,728		59		585,794
Due From Other Funds	80			62,475		62,555
Stores Inventory		36,038				36,038
Total Assets	<u>\$ 258,091</u>	<u>\$ 1,800,042</u>	<u>\$ 2,080,988</u>	<u>\$ 121,546</u>	<u>\$ 1,049,598</u>	<u>\$ 5,310,265</u>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities:</u>						
Deficit Cash	\$ 27,183					\$ 27,183
Accounts Payable	5,897	\$ 7,979	\$ 469,954			483,830
Unearned Revenue	11,347	6,009				17,356
Due to Other Funds					\$ 1,049,598	1,049,598
Total Liabilities	<u>44,427</u>	<u>13,988</u>	<u>469,954</u>		<u>1,049,598</u>	<u>1,577,967</u>
<u>Fund Balances:</u>						
Nonspendable		36,038				36,038
Restricted	213,664	1,750,016	1,611,034	\$ 121,546		3,696,260
Total Fund Balances	<u>213,664</u>	<u>1,786,054</u>	<u>1,611,034</u>	<u>121,546</u>	<u>0</u>	<u>3,732,298</u>
Total Liabilities and Fund Balances	<u>\$ 258,091</u>	<u>\$ 1,800,042</u>	<u>\$ 2,080,988</u>	<u>\$ 121,546</u>	<u>\$ 1,049,598</u>	<u>\$ 5,310,265</u>

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, 2014

	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
<b>Revenues</b>						
Federal Revenue	\$ 154,797	\$ 2,182,313				\$ 2,337,110
Other State Revenue	730,643	183,098	\$ 11,627			925,368
Other Local Revenue	357,248	188,383	1,802,377	\$ 47,113	\$ 2,903	2,398,024
Total Revenues	1,242,688	2,553,794	1,814,004	47,113	2,903	5,660,502
<b>Expenditures</b>						
Certificated Salaries	492,018					492,018
Classified Salaries	395,052	658,436				1,053,488
Employee Benefits	211,423	272,243				483,666
Books and Supplies	30,020	1,251,363				1,281,383
Services and Other						
Operating Expenditures	51,042	45,572		17,191		113,805
Capital Outlay	7,405	198,031				205,436
Debt Service:						
Principal Retirement			715,000			715,000
Interest and Fiscal Charges			639,225			639,225
Other Outgo	60,092	69,042				129,134
Total Expenditures	1,247,052	2,494,687	1,354,225	17,191	0	5,113,155
Excess of Revenues Over (Under) Expenditures	(4,364)	59,107	459,779	29,922	2,903	547,347
<b>Other Financing Sources (Uses):</b>						
Operating Transfers Out					(1,049,598)	(1,049,598)
Excess of Revenues Over (Under) Expenditures and Other Uses	(4,364)	59,107	459,779	29,922	(1,046,695)	(502,251)
Fund Balances - July 1, 2013	218,028	1,726,947	1,151,255	91,624	1,046,695	4,234,549
Fund Balances - June 30, 2014	\$ 213,664	\$ 1,786,054	\$ 1,611,034	\$ 121,546	\$ 0	\$ 3,732,298

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2014

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Interfund Eliminations	Total General Fund
<u>Assets</u>					
Cash	\$ 5,920,724	\$ 239,618	\$ 365,610		\$ 6,525,952
Accounts Receivable	4,008,133	9	368		4,008,510
Due From Other Funds	786,784	65,596	450,000	\$ (580,214)	722,166
Prepaid Expenditures	243,488				243,488
Total Assets	<u>\$ 10,959,129</u>	<u>\$ 305,223</u>	<u>\$ 815,978</u>	<u>\$ (580,214)</u>	<u>\$ 11,500,116</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 5,398,357	\$ 4,973	\$ 228,942		\$ 5,632,272
Deferred Revenue	47,062				47,062
Due to Other Funds	814,408	64,618		\$ (580,214)	298,812
Total Liabilities	<u>6,259,827</u>	<u>69,591</u>	<u>228,942</u>	<u>(580,214)</u>	<u>5,978,146</u>
Fund Balances:					
Nonspendable	248,488				248,488
Restricted	995,405				995,405
Assigned	1,074,440	235,632	587,036		1,897,108
Unassigned	2,380,969				2,380,969
Total Fund Balances	<u>4,699,302</u>	<u>235,632</u>	<u>587,036</u>	<u>0</u>	<u>5,521,970</u>
Total Liabilities and Fund Balances	<u>\$ 10,959,129</u>	<u>\$ 305,223</u>	<u>\$ 815,978</u>	<u>\$ (580,214)</u>	<u>\$ 11,500,116</u>

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, 2014

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Interfund Eliminations	Total General Fund
<u>Revenues</u>					
Local Control Funding Formula Sources					
State Apportionments	\$ 14,183,499				\$ 14,183,499
Local Sources	16,581,856				16,581,856
Total Local Control Funding Formula Sources	30,765,355				30,765,355
Federal Revenue	3,376,847				3,376,847
Other State Revenue	3,024,979	\$ 2,979			3,027,958
Other Local Revenue	2,375,309	61,213	\$ 1,069		2,437,591
Total Revenues	39,542,490	64,192	1,069		39,607,751
<u>Expenditures</u>					
Certificated Salaries	17,216,676	146,720			17,363,396
Classified Salaries	6,885,347	30,814			6,916,161
Employee Benefits	7,353,113	35,682			7,388,795
Books and Supplies	2,546,761	24,664	4,325		2,575,750
Services and Other Operating Expenditures	3,250,403	10,305	196,912		3,457,620
Capital Outlay	52,281		102,275		154,556
Other Outgo	1,480,481				1,480,481
Total Expenditures	38,785,062	248,185	303,512		39,336,759
Excess of Revenues Over (Under) Expenditures	757,428	(183,993)	(302,443)		270,992
Other Financing (Uses):					
Operating Transfers In		245,075	779,000	\$ (1,024,075)	0
Operating Transfers Out	(1,024,075)			1,024,075	0
Total Other Financing (Uses)	(1,024,075)	245,075	779,000	0	0
Excess of Revenues Over (Under) Expenditures and Other Uses	(266,647)	61,082	476,557	0	270,992
Fund Balances - July 1, 2013	4,965,949	174,550	110,479	0	5,250,978
Fund Balances - June 30, 2014	\$ 4,699,302	\$ 235,632	\$ 587,036	\$ 0	\$ 5,521,970

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, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>NORTH MONTEREY COUNTY HIGH SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 98,007	\$ 660,603	\$ 669,502	\$ 89,108
<u>LIABILITIES</u>				
Due to Student Groups	\$ 98,007	\$ 660,603	\$ 669,502	\$ 89,108
<u>NORTH MONTEREY COUNTY MIDDLE SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 50,782	\$ 53,672	\$ 50,228	\$ 54,226
<u>LIABILITIES</u>				
Due to Student Groups	\$ 50,782	\$ 53,672	\$ 50,228	\$ 54,226
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 148,789	\$ 714,275	\$ 719,730	\$ 143,334
<u>LIABILITIES</u>				
Due to Student Groups	\$ 148,789	\$ 714,275	\$ 719,730	\$ 143,334

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

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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

C E R T I F I E D  
P U B L I C  
A C C O U N T A N T S

JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA  
SUZY H. BRIGHT, CPA  
RICHARD J. GOODELL, CPA  
MICHELLE M. HANSON, CPA

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, 2014, and the related notes to the financial statements, which collectively comprise North Monterey County Unified School District's basic financial statements and have issued our report thereon dated December 12, 2014.

**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 severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

#### **Compliance and Other Matters**

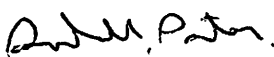

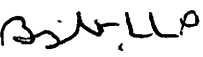
As part of obtaining reasonable assurance about whether North Monterey County Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 finding 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

December 12, 2014



GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

C E R T I F I E D  
P U B L I C  
A C C O U N T A N T S

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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, 2014. 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, 2014.

### 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

December 12, 2014

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

CERTIFIED  
PUBLIC  
ACCOUNTANTS

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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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014* 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, 2014.

**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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*. 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:

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Mis-assignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for school districts	10	Yes
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
GANN Limit Calculation	1	Yes

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	2 - (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

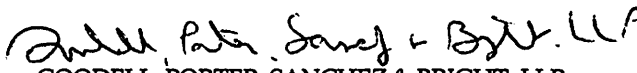
We were unable to trace the District's California Clean Energy expenditures to their program expenditures plan since the District did not adopt a plan during the 2013-2014 fiscal year.

#### 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, 2014.

#### 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014* 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

December 12, 2014

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, 2014

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**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 ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ 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 ☒ No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.011, 84.330B	NCLB: Title I, Cluster
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? ☒ Yes ☐ No

*State Awards*

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for state programs: Unqualified

NORTH MONTEREY COUNTY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**Section II - Financial Statements Findings**

2014 - 001 - OFFICIAL BOARD MINUTES - 60000

Criteria: Sound accounting policies require the minutes of each Governing Board meeting be approved by the Board at a subsequent meeting signed by the Board President and a Clerk and maintained by the District office as a public record.

Statement of Condition: The District posts Board meeting minutes on the District's web-site however, an official copy is not prepared and signed by the Board President and Board Clerk to be retained at the District Office as a permanent record.

Questioned Costs: No costs are associated with this finding.

Cause: District policies do not require retention of the official Governing Board meeting minutes.

Effect or Potential Effect: There is not a signed, official copy of Governing Board meeting minutes kept as a permanent record.

Recommendation: 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.

District Response: The District agrees with the recommendation and has implemented in 2014-2015.

**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, 2014

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2013 - 1: The District should enforce the policy to allow employees to carry over unused compensated time by requiring employees to use excess vacation by the end of each fiscal year or include those excess days in their current vacation plan.

Current Status:

Accepted  
Implemented

2013 - 2: The District should develop internal control procedures to prevent mistakes in the general ledger from occurring and not being detected by an employee performing their regular duties. A knowledgeable employee should review all general ledger account balances to determine they are current and if adjustments are necessary.

Current Status:

Accepted  
Implemented