VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2015

VISALIA UNIFIED SCHOOL DISTRICT
Visalia, California

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” Also, in November 2013 the GASB issued GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. As discussed in Notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District’s fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” and GASB Statement No. 50, “Pension Disclosures.” GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. 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 4 to 15, the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 61 to 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Visalia Unified School District’s basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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, except for the Schedule of Financial Trends and Analysis, have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 on our consideration of Visalia Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Visalia Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2015

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

OVERVIEW OF THE FINANCIAL STATEMENTS

<u>*The Financial Statements*</u>

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34. The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

District-Wide Statements

The *District-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting, which is intended to be similar to those used by private sector companies. They provide both short-term and long-term information about the District's overall financial status. They present governmental activities and business-type activities separately, though our District does not have any business-type activities at this time. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables, and receivables.

The District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets plus deferred outflows of resources less liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – The District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid (Local Control Funding Formula) finance most of these activities.
- Business-type activities – The District does not have any activities included here, as fees the District may charge to help it cover the costs of certain services it provides (such as specific Adult School classes) do not constitute major reportable activities.

Fund Financial Statements

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental (basic services), proprietary (business-type activities), and fiduciary (assets held for others). They focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements which reports on 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 by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. They tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements using the economic resources measurement focus and the accrual basis of accounting. They offer short- and long-term financial information about the activities that the District operates like a business.

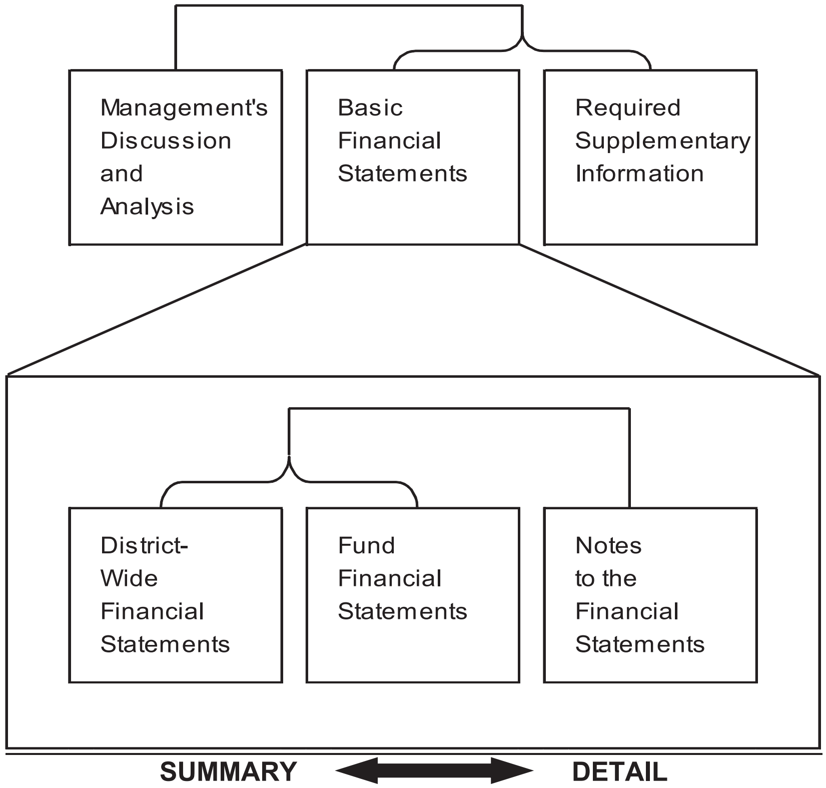
  Our District does not utilize enterprise funds (one type of proprietary fund) at this time, which are the same as business-type activities. We do, however, use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund for employee health and welfare insurance benefits.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, in this case, the student activities (agency) funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong, which are the student bodies. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position, which only report a balance sheet and do not have a measurement focus. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information of 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 with a comparison of the District's budget for the year.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the District's Annual Financial Report



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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- This District continued to implement the changes brought by the Local Control Funding Formula, as well as the accountability provisions of the Local Control Accountability Plan first adopted in the 2014-15 fiscal year. The State budget and economy continues to improve and show steady growth and the District continues to restore programs and implement changes to improve achievement for all students. The following factors play a significant role in the economic recovery:
    - State Unemployment Rate of 5.7% (10.8% for Tulare County and 8.7% for Visalia), compared to 7.3% (11.8% for Tulare County) in the previous fiscal year.
    - UCLA Anderson forecast of an increase in the Fed Funds rate to 1.5% by the end of 2016, slow but better employment growth of 2.6% and greater personal income growth of 4.3% in 2015.
    - Housing continues to rebound with permits and housing valuation up significantly from prior year lows.

- The District continues to budget using conservative revenue estimates and maintains a reserve and fund balance that enables the District to maintain fiscal solvency. The District maintains a reserve for economic uncertainty of 15% at the close of the 2014-15 fiscal year.

- The Districts overall financial condition has improved with additional revenues from the new funding formula. State revenues from the LCFF are up $25.2 million from FY 2013-14.

- Construction of Measure E projects continues and the final series of bonds were issued in FY 2014-15. The new 16 classroom academic building at Redwood High School along with several other modernization improvements was completed. Construction was started on a new middle school as well. Visalia voters approved Measure E with over 67% voting YES to fund facility improvements at all of our school sites over 10 years old and to build a new middle school. The District received an A3 rating from Moody's resulting in better than estimated interest rates that will ultimately save Visalia property tax payers over $40 million interest cost and cut 5 years from the term of the bonds.

- Overall, revenues were over $275.1 million for the audit year, as compared to overall revenues of $242.6 million in the prior year, up by $32.5 million or 13.40% due to additional state funding as well as additional federal funding from Title I.

- General Fund revenues for the current year exceeded basic expenditures by $12.1 million; $252.3 million in revenues compared to $240.2 million in basic expenditures with salaries and benefits accounting for 78.7% of basic expenditures.

- Housing growth in the City of Visalia has shown continual growth in 2014-15; which correlates to the increase in the Districts revenues from Developer Fee Funds. Developer Fee rate for 2014-15 are at the Level 1 rate of $3.36 per square foot. Revenues are up for the year at $4.1 million compared to $3.4 million in 2013-14 an increase of 21.6%.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we report only the District's governmental activities, as the District does not have any business-type activities. All of the District's services are reported in this category, and include the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes; state income taxes; user fees; interest income; federal, state, and local grants; as well as general obligation bonds finance these activities.

A more detailed analysis of the District's net position and changes in net position follows:

Table A-1
Net Position

(Amounts in millions)	Governmental Activities 2015	Governmental Activities 2014	Dollar Change 2015-2014	Total Percentage Change 2015-2014
Current and other assets	$ 198.1	$ 156.8	$ 41.3	26.34%
Capital assets (less depreciation)	287.9	268.2	19.7	7.35%
Total Assets	486.0	425.0	61.0	14.35%
Deferred Outflows				
Deferred Outflows of Resources	13.2	-	13.2	100.00%
Current liabilities	30.4	29.0	1.4	4.83%
Long-term liabilities	262.8	58.3	204.5	350.77%
Total Liabilities	293.2	87.3	205.9	235.85%
Deferred Inflows				
Deferred Inflows of Resources	42.8	-	42.8	100.00%
Net position				
Net investment in capital assets	273.8	215.2	58.6	27.23%
Restricted	58.5	65.0	(6.5)	-10.00%
Unrestricted	(169.1)	57.5	(226.6)	-394.09%
Total Net Position	$ 163.2	$ 337.7	$ (174.5)	-51.67%

Net position. The District's combined net position was $163.2 million for the fiscal year ended June 30, 2015, and $337.7 million for the fiscal year ended June 30, 2014, a decrease of $174.5 million (Table A-1). This decrease is the result of new accounting pronouncement GASB 68 and the inclusion of the Districts Net Pension Liability of $161.1 million including in the accrual based financial statements for FY 2014-15. The Assets increased $61.0 million primarily from the issuance of the remaining Measure E Bonds as well as the issuance of Certificates of Participation.

The results of this year's operations for the District as a whole are reported in the Statement of Activities that can be found in the Basic Financial Statements Section of this document. Table A-2 takes the information from the statement, rounds the numbers, and rearranges them slightly so the reader can see the District's total revenues for the year.

Table A-2
Statement of Activities

(Amounts in millions)	Governmental Activities 2015	Governmental Activities 2014	Total Dollar Change 2015-2014	Total Percentage Change 2015-2014
Revenues				
General revenues:				
Federal and State aid not restricted	$ 178.8	$ 152.9	$ 25.9	16.94%
Charges for services	6.3	7.8	(1.5)	-19.23%
Operating grants and contributions	50.0	44.0	6.0	13.64%
Tax revenues	35.2	34.2	1.0	2.92%
Other local sources	4.5	4.4	0.1	2.27%
Total Revenues	274.8	243.3	31.5	12.95%
Expenses				
Instruction-related	188.6	173.3	15.3	8.83%
Student support services	23.8	21.4	2.4	11.21%
Administration	12.2	9.6	2.6	27.08%
Maintenance and operations	29.9	26.3	3.6	13.69%
Other	5.0	5.3	(0.3)	-5.66%
Total Expenses	259.5	235.9	23.6	10.00%
Excess of Revenues over Expenses	15.3	7.4	7.9	106.76%
Change in Net Position	$ 15.3	$ 7.4	$ 7.9	106.76%

Changes in net position. The District's total revenues increased from $243.3 million at June 30, 2014, to $274.8 million at June 30, 2015, an increase of 12.95 percent (Table A-2). As mentioned earlier, the increase in revenues was primarily due to the increase in revenues received from the State under the LCFF.

The total cost of all programs and services increased 10.00 percent from $235.9 million at June 30, 2014, to $259.5 million at June 30, 2015. The majority of the District's expenses relate to instruction (72.68 percent). The purely administrative activities of the District accounted for just 4.7 percent of total costs.

Overall, total revenues surpassed expenses, increasing net position $15.3 million, an increase of $7.9 million over last year's increase. With the cyclical challenges of the State's finances, the District will continue to work to strengthen our fiscal foundation for the years when budget reductions may be necessary and deficits may decrease the District's net position.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

In Table A-3, the net cost of each of the District's seven largest functions is presented below. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table A-3
Net Cost of Governmental Activities

(Amounts in millions)

	Net Cost of Services			
	2015	2014	$ Change	% Change
Instruction	$ 129.1	$ 120.0	$ 9.1	7.58%
Instruction-related activities (supervision, library, and media)	27.3	22.9	4.4	19.21%
Other pupil services	6.7	5.5	1.2	21.82%
Food services	0.4	(0.1)	0.5	500.00%
Pupil transportation	4.1	2.8	1.3	-46.43%
General administration	10.5	8.7	1.8	20.69%
Maintenance and operations (plant services)	21.9	19.4	2.5	12.89%
Other	3.3	5.0	(1.7)	-34.00%
Totals	$ 203.3	$ 184.2	$ 19.1	10.37%

Proprietary Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the total net capital assets totaled $268.2 million. At June 30, 2015, the total net capital assets totaled $287.9 million. This amount represents a net increase (including additions, deductions, and depreciation) of $19.7 million, or 7.35 percent, from last year. In November 2012, the voters of Visalia approved Measure E, a $60.1 million bond issue to fund facility improvements at all of our school sites over 10 years old and build a new middle school. The increase is related to those construction projects.

Table 4
Capital Assets at Year-End
(Net of depreciation)

(Amounts in millions)

	Governmental Activities 2015	Governmental Activities 2014	Total Dollar Change 2015-2014	Total Percentage Change 2015-2014
Land	$ 18.3	$ 16.3	$ 2.0	12.27%
Construction in progress	25.6	18.8	6.8	36.17%
Buildings and improvements	234.3	222.7	11.6	5.21%
Equipment	9.7	10.4	(0.7)	-6.73%
Totals	$ 287.9	$ 268.2	$ 19.7	7.35%

Long-Term Obligations

At June 30, 2014, the District had $266.2 million in long-term obligations outstanding versus $268.9 million at June 30, 2015, an increase of $2.7 million or 1.01%. Direct debt increased by $42.0 million due to the issuance of the final series of Measure E bonds as well as the issuance of 2015 Certificates of Participation (COP). The Districts liabilities for retiree pensions and health insurance decreased by $39.3 million which could be attributed to changes in the valuation of assets held by in the pensions and increased contributions made by schools districts for pensions in the year.

Table 5
Outstanding Debt at Year-end

(Amounts in millions)

	Governmental Activities 2015	Governmental Activities 2014 *	Total Dollar Change 2015-2014	Total Percentage Change 2015-2014
General obligation bonds	$ 67.8	$ 44.1	$ 23.7	53.74%
Certificates of participation	24.1	5.9	18.2	308.47%
Capitalized lease obligations	2.9	2.8	0.1	3.57%
Loan payable	0.2	0.2	-	100.00%
Other postemployment benefits liability	11.8	10.8	1.0	9.26%
Net Pension Liability	161.1	201.4	(40.3)	-20.01%
Compensated Absences	1.0	1.0	-	0.00%
Totals	$ 268.9	$ 266.2	$ 2.7	1.01%

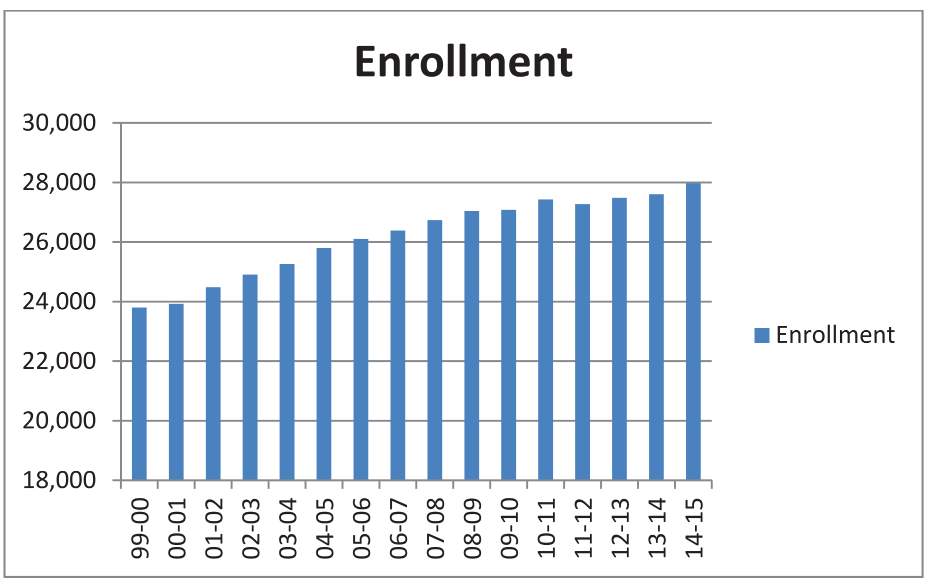
* 2014 Amounts restated to include Net pension liability due to implementation of GASB 68.

The District's general obligation bond rating continues to be stable (currently A+). The State limits the amount of general obligation debt that Districts can issue per Education Code Section 15106 to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $67.8 million is well below the statutorily-imposed limit of approximately $272 million.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits), and other long-term obligations. We present more detailed information regarding our long-term liabilities in the Notes to the Financial Statements.

STUDENT ENROLLMENT

The District continues to experience growth in enrollment in elementary grades; however, with the increase in popularity in charter schools within the District boundary that trend may stabilize. The District recognized a slight enrollment increase of 371 students to 27,974. Additionally, the District's CBEDS to P2 ADA ratio remains above the State average at 95.4%.



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

The 2014-15 fiscal year marks the first full year of implementation under the Local Control Funding Formula or LCFF. This was the first major change in school funding in over 40 years. The LCFF creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, thus eliminating revenue limits and approximately three-quarters of state categorical programs. This streamlined funding results in more flexibility for school leaders, with the assistance of parents and other local stakeholders, to determine the local academic priorities and how the state funding will be used to improve student achievement so that they graduate from high school and are college and career ready.

As part of the new funding model, VUSD was required to develop, adopt, and annually update a three-year Local Control and Accountability Plan or LCAP, beginning on July 1, 2014. The LCAP is required to identify annual goals, specific actions, and measure progress for student subgroups across multiple performance indicators, including student academic achievement, school climate, student access to a broad curriculum, and parent engagement. This plan has been in development since the Fall 2013 with input sessions held at school sites and community meetings across the District.

The 2014-15 State Budget included the largest year-over-year increase in education funding in recent history, yet California is still well below the national average in per student funding and we are just now back to the funding levels of 2007-08.

Another year has passed and Measure E continues to put its stamp on the community. This summer saw the completion of several projects. The second phase of playground improvements was completed. Linwood, Veva Blunt, Crestwood, Highland, Fairview, and Conyer all received new equipment as well as some site improvements.

Three additional sites also received a single point of entry to improve campus safety. VTEC, Charter Alternative, and Linwood followed the same blueprint as the other sites by requiring all visitors to enter through the office ensuring the sites check every visitor. Divisadero Middle School looks a lot different as it currently is under construction. The bus drop off is being relocated to the west while a new entrance and expanded parking along Tulare will improve pedestrian access while increasing curb appeal. This project will continue into the school year and is slated for completion towards the end of fall.

The start of the school year saw the opening of the new 2-story academic building at Redwood High School. The new 16 classroom wing fits like a glove on the corner of Conyer and Main Street and blends in nicely with the existing architecture of the campus. With the addition of these classrooms the portable buildings on the Sierra Vista campus will be removed keeping the promise Measure E made to the community.

The new Middle School is starting to look like a school site. The steel for the academic wing has started to go up and the concrete block for the lockers rooms is installed. The ballfields have been graded and the backstops and irrigation have been installed. There is a lot of activity on site and the project is on schedule for an August 2016 opening.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As we embark on this third year of implementing the new State funding system, the Local Control Funding Formula or LCFF, the Governor has continued his commitment to make education funding a top priority. Most of the increase in State revenues for 2015-16 is directed to the Proposition 98 side of the budget and again we will experience the highest level of year-over-year funding increases in education history. While California remains toward the bottom of the national per-student funding ratio, the last three years of increased funding has provided the much needed resources to continue to close the achievement gap.

Since the Great Recession of 2008, the District made reductions to keep pace with shrinking revenues from the State. Class sizes in our lower grades increased and whole programs that supported our students and provided opportunities to improve and enhance the educational program were eliminated by state flexibility of restricted dollars. Yet over that same time frame we have managed to maintain a focus on instruction and each year our students have performed better as we continue to make academic gains and graduate more students. We look forward to making restorations and continuing to place a priority on student achievement.

Highlights of the VUSD 2015-16 Budget include:

- Implementation of the Local Control and Accountability Plan using supplemental and concentration (targeted) funds to improve services across the District by expanding student opportunities for learning, engaging communities through Student Advocate & Family Engagement specialist, after-school enrichment and behavior support and intervention.
- Continued reductions in class size at all grade levels with emphasis on K-3 adding 21 FTE in elementary grades and 5 FTE in secondary.
- Implementation of additional open-choice Linked Learning Academies at Redwood (Engineering and Construction) and El Diamante (Arts and Media) to complement current Academies at Golden West (Ag Engineering) and Mt Whitney (Health Science).
- Continued planning of Measure E projects and completed construction of Ranger Hall at Redwood, construction of the new middle school and modernization projects throughout the District.
- Begin construction on a new Northwest elementary school and modernization of Sequoia High School.

The District continues to budget conservatively and the key assumptions in our revenue forecast are:

1. Regular Average Daily Attendance (ADA) from 2014-15 P-2 K-12 with zero projected growth for 2015-16 is budgeted at 26,679.68.
2. Cost of Living Adjustment (COLA) increase of 1.02% on all State programs.
3. State Lottery is projected to be $162.00 per ADA, of which $34.00 is restricted to instructional materials, and $128.00 is unrestricted.
4. One-time dollars are budgeted as adopted in the State budget for Mandated Costs and Educator Effectiveness Grants.

Expenditures are based on the following assumptions:

1. Step increases for certificated, management, and classified are budgeted in full at $1.7 million.
2. Health care costs per employee will be shared by the District and employee as negotiated. The annual cost of health care coverage will be $15,474 per certificated employee, $14,286 per management employee, and either $13,899 or $14,307 per classified employee depending on the option selected. The District will pay $13,853 per certificated employee, $13,736 per management employee and $13,899 per classified employee.
3. Routine Restricted Maintenance Account is funded at 3% of total General Fund expenditures.
4. Contributions to restricted programs to cover projected encroachment will be $22.1 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Administrative Services, at Visalia Unified School District, 5000 West Cypress Avenue, Visalia, California 93277, or e-mail at rgroeber@vusd.org.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 179,365,099
Receivables	18,220,069
Prepaid expenses	107,554
Stores inventory	385,801
Non-depreciable capital assets (Note 4)	43,839,068
Depreciable capital assets, net of accumulated depreciation (Note 4)	244,071,143
Total assets	485,988,734
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	13,233,184
LIABILITIES	
Accounts payable	15,271,758
Claims liability (Note 5)	5,214,094
Unearned revenue	3,746,620
Long-term liabilities:	
Due within one year (Note 6)	6,121,873
Due after one year (Note 6)	262,798,902
Total liabilities	293,153,247
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	42,823,000
NET POSITION	
Net investment in capital assets	273,830,543
Restricted (Note 7)	58,531,145
Unrestricted	(169,116,017)
Total net position	$ 163,245,671

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 155,693,958	$ 940,180	$ 25,622,792	$ -	$ (129,130,986)
Instruction-related services:					
Supervision of instruction	9,573,893	78,162	4,458,913	-	(5,036,818)
Instructional library, media and technology	1,766,984	-	157,331	-	(1,609,653)
School site administration	21,570,244	1,603	954,359	-	(20,614,282)
Pupil services:					
Home-to-school transportation	4,065,553	-	-	-	(4,065,553)
Food services	10,585,763	1,515,377	8,654,006	-	(416,380)
All other pupil services	9,141,358	30,849	2,425,954	-	(6,684,555)
General administration:					
Data processing	4,141,891	252,776	188,658	-	(3,700,457)
All other general administration	8,107,925	116,084	1,144,815	-	(6,847,026)
Plant services	23,675,742	999,764	818,999	-	(21,856,979)
Ancillary services	6,227,110	-	3,618,453	-	(2,608,657)
Enterprise activities	4,181	-	-	-	(4,181)
Other outgo	2,448,475	2,354,279	1,944,301	-	1,850,105
Interest on long-term liabilities	2,566,983	-	-	-	(2,566,983)
Total governmental activities	$ 259,570,060	$ 6,289,074	$ 49,988,581	$ -	(203,292,405)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	30,242,226
Taxes levied for debt service	3,967,006
Taxes levied for other specific purposes	943,130
Federal and state aid not restricted to specific purposes	178,838,253
Interest and investment earnings	1,053,055
Interagency revenues	1,004,006
Miscellaneous	2,547,717
Total general revenues	218,595,393
Change in net position	15,302,988
Net position, July 1, 2014	337,729,504
Cumulative effect of GASB 68 implementation	(189,786,821)
Net position, July 1, 2014, as restated	147,942,683
Net position, June 30, 2015	$ 163,245,671

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 71,671,503	$ 40,889,923	$ 14,368,066	$ 17,842,140	$144,771,632
Cash on hand and in banks	10,981	-	-	28,963	39,944
Cash in revolving fund	42,676	-	-	-	42,676
Cash with Fiscal Agent	2,790,995	-	6,450,158	-	9,241,153
Receivables	15,857,057	-	-	2,356,672	18,213,729
Prepaid expenditures	-	-	107,554	-	107,554
Due from other funds	4,438,596	-	7,025,000	3,512,747	14,976,343
Stores inventory	192,951	-	-	192,850	385,801
Total assets	$ 95,004,759	$ 40,889,923	$ 27,950,778	$ 23,933,372	$187,778,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 9,706,931	$ 4,045,227	$ 98,053	$ 352,696	$ 14,202,907
Unearned revenue	3,727,814	-	-	18,806	3,746,620
Due to other funds	10,533,975	-	2,554,804	1,887,564	14,976,343
Total liabilities	23,968,720	4,045,227	2,652,857	2,259,066	32,925,870
Fund balances:					
Nonspendable	235,627	-	107,554	192,850	536,031
Restricted	12,315,202	36,844,696	25,190,367	21,481,456	95,831,721
Assigned	31,625,789	-	-	-	31,625,789
Unassigned	26,859,421	-	-	-	26,859,421
Total fund balances	71,036,039	36,844,696	25,297,921	21,674,306	154,852,962
Total liabilities and fund balances	$ 95,004,759	$ 40,889,923	$ 27,950,778	$ 23,933,372	$187,778,832

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - Governmental Funds		$ 154,852,962
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $427,482,365 and the accumulated depreciation is $139,572,154 (Note 4).		287,910,211
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2015 consisted of (Note 6):		
General Obligation Bonds	$ (62,314,971)	
Unamortized premiums	(5,334,320)	
Accreted Interest	(982,439)	
Certificates of Participation	(23,255,000)	
Capitalized lease obligation	(2,900,858)	
State school building loan payable	(210,000)	
Net pension liability (Note 8 and 9)	(161,098,000)	
Other postemployment benefits (Note 10)	(11,808,139)	
Compensated absences	(1,017,048)	
		(268,920,775)
In the governmental funds, interest on long-term liabilities 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.		(1,068,851)
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Note 8 and 9).		
Deferred outflows of resources relating to pensions	$ 13,233,184	
Deferred inflows of resources relating to pensions	(42,823,000)	
		(29,589,816)
Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position.		20,061,940
Total net position - governmental activities		$ 163,245,671

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$173,008,697	$ -	$ -	$ -	$173,008,697
Local sources	29,370,300	-	-	-	29,370,300
Total LCFF	202,378,997	-	-	-	202,378,997
Federal sources	18,323,841	-	-	9,049,390	27,373,231
Other state sources	15,311,088	-	-	2,770,924	18,082,012
Other local sources	16,333,524	219,650	78,490	10,605,962	27,237,626
Total revenues	252,347,450	219,650	78,490	22,426,276	275,071,866
Expenditures:					
Current:					
Certificated salaries	103,284,371	-	-	2,133,890	105,418,261
Classified salaries	31,007,190	-	-	5,086,125	36,093,315
Employee benefits	54,725,269	-	-	3,376,251	58,101,520
Books and supplies	17,899,979	680	25,972	5,197,547	23,124,178
Contract services and operating expenditures	22,653,673	427,771	417,074	994,610	24,493,128
Other outgo	2,299,305	-	-	-	2,299,305
Capital outlay	7,670,927	14,498,475	4,311,643	4,119,656	30,600,701
Debt service:					
Principal retirement	596,602	-	-	5,640,000	6,236,602
Interest	110,695	-	-	1,472,182	1,582,877
Total expenditures	240,248,011	14,926,926	4,754,689	28,020,261	287,949,887
Excess (deficiency) of revenues over (under) expenditures	12,099,439	(14,707,276)	(4,676,199)	(5,593,985)	(12,878,021)
Other financing sources (uses):					
Transfers in	765,895	-	7,025,000	4,877,717	12,668,612
Transfers out	(11,902,717)	-	-	(765,895)	(12,668,612)
Proceeds from the issuance of long-term liabilities	725,831	26,100,000	18,435,000	-	45,260,831
Premiums on issuance of long-term liabilities	-	-	859,915	1,808,391	2,668,306
Total other financing sources (uses)	(10,410,991)	26,100,000	26,319,915	5,920,213	47,929,137
Change in fund balances	1,688,448	11,392,724	21,643,716	326,228	35,051,116
Fund balances, July 1, 2014	69,347,591	25,451,972	3,654,205	21,348,078	119,801,846
Fund balances, June 30, 2015	$ 71,036,039	$ 36,844,696	$ 25,297,921	$ 21,674,306	$154,852,962

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds	$ 35,051,116
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	31,062,917
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(11,325,274)
The proceeds from disposal of capital assets are reported as revenue in the governmental funds, but only the resulting gain or loss is reported in the Statement of Activities.	(59,926)
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net position. Amounts recognized in government funds as proceeds from debt, net of issue premium or discount, were (Note 6):	(45,260,831)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	6,236,602
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6)	(2,398,187)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6)	(566,258)
In governmental funds, interest on long-term liabilities 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.	(419,119)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net position for the Self-Insurance Fund was:	4,869,991
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Note 6).	(971,573)

(Continued)

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	$ (900,995)
In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	(15,475)
Change in net position of governmental activities	$ 15,302,988

See accompanying notes to financial statements.

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 14,963,361
Cash with Fiscal Agent	10,306,333
Receivables	6,340
Total current assets	25,276,034
LIABILITIES	
Current liabilities:	
Claims payable	5,214,094
NET POSITION	
Restricted	$ 20,061,940

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Operating revenues:	
Self-insurance premiums	$ 37,523,007
Other local revenues	424,837
Total operating revenues	37,947,844
Operating expenses:	
Classified salaries	184,506
Employee benefits	94,037
Books and supplies	2,051
Contract services	32,903,834
Total operating expenses	33,184,428
Operating income	4,763,416
Non-operating income:	
Interest income	106,575
Change in net position	4,869,991
Total net position, July 1, 2014	15,191,949
Total net position, June 30, 2015	$ 20,061,940

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 37,945,011
Cash paid for employee benefits	(33,223,073)
Cash paid for salaries	(278,543)
Cash paid for other expenses	(2,209)
Net cash provided by operating activities	4,441,186
Cash flows provided by investing activities:	
Interest income received	106,575
Increase in cash and investments	4,547,761
Cash and investments, July 1, 2014	20,721,933
Cash and investments, June 30, 2015	$ 25,269,694
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 4,763,416
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(2,833)
Decrease in:	
Claims liability	(319,239)
Amount due to other funds	(158)
Total adjustments	(322,230)
Net cash provided by operating activities	$ 4,441,186

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

	Agency Funds
ASSETS	
Cash in county treasury	$ 10,927,752
Cash on hand and in banks (Note 2)	873,260
Total assets	$ 11,801,012
LIABILITIES	
Due to other	10,437,288
Due to student groups	1,363,724
Total liabilities	$ 11,801,012

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Visalia Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

The District and the Visalia Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District. Accordingly, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended:

A - Manifestation of Oversight

- The Corporation's Board of Directors were appointed by the District's Board of Education.
- The Corporation has no employees. The District's Superintendent and Assistant Superintendents function as agents of the Corporation. Neither receives additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be sole lessee of all facilities owned by the Corporation.

B - Accounting for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

- The Corporation was created for the sole purpose of financially assisting the District.
- The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
- The Corporation's financial activity is included in the basic financial statements as the Capital Facilities and Debt Service Funds. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund:

The Building Fund is a capital projects fund used to account for proceeds form the sale of bonds and the acquisition of major governmental capital facilities and buildings.

Special Reserve for Capital Outlay Projects Fund:

The Special Reserve for Capital Outlay Projects Fund is a capital projects fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital outlay purposes.

B - Other Funds

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

Capital Projects Funds:

Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Capital Facilities and the County School Facilities Funds.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds:

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption and Debt Service Funds.

Self-Insurance Fund:

The Self-Insurance Fund is a proprietary fund used to account for the District's self-insured health and welfare plan.

Agency Funds:

Agency Funds are Fiduciary Funds which are used to account for assets of others, for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Student Body Funds.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2015.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: The District maintains a capitalization threshold of an original cost of $5,000 for equipment and $15,000 for buildings and improvements. When purchased, such assets are recorded 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 outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives for the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment 2 to 15 years.

Compensated Absences: Compensated absences totaling $1,017,048 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or 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 for certain STRS and CalPERS employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 9,268,239	$ 3,964,945	$ 13,233,184
Deferred inflows of resources	$ 31,694,000	$ 11,129,000	$ 42,823,000
Net pension liability	$128,708,000	$ 32,390,000	$161,098,000
Pension expense	$ 13,000,257	$ 2,899,922	$ 15,900,179

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets: Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

2. Restricted Net Position: Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for self-insurance payments. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

3. Unrestricted Net Position: All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2015, the Board of Education has designated the Chief Business Official with the authority to assign fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of Tulare bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 net position was restated by $189,786,821 because of the recognition of the net pension liability and deferred outflows of resources.

In November 2013, GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District’s fiscal year ending June 30, 2017. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 are reported at fair value and consisted of the following:

	Governmental Funds	Proprietary Funds	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	$ 144,771,632	$ 14,963,361	$ 10,927,752
Deposits:			
Cash on hand and in banks	39,944	-	873,260
Cash in revolving fund	42,676	-	-
Investments:			
Cash with Fiscal Agent	9,241,153	10,306,333	-
Total cash and investments	$ 154,012,785	$ 25,269,694	$ 10,927,752

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Tulare County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Tulare County Treasurer may invest in derivative securities. However, at June 30, 2015, the Tulare County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2015, the carrying amount of the District's accounts was $955,880 and the bank balance was $1,005,674. The total uninsured bank balance at June 30, 2015 was $61,231.

Investments: The Cash with Fiscal Agent in the General and Special Reserve for Capital Outlay Funds represents debt proceeds that have been set aside for capital projects. These amounts are held by a third party custodian in the District's name.

The Cash with Fiscal Agent in the Proprietary Fund represents cash segregated for the future payment of self-insured benefits. These amounts are held by a third party custodian in the District's name.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 4,438,596	$ 10,533,975
Special Reserve for Capital Outlay Projects	7,025,000	2,554,804
Non-Major Funds:		
Deferred Maintenance	-	3,000
Adult Education	3,403,525	1,083,871
Child Development	80,060	311,309
Cafeteria	29,162	489,384
Totals	$ 14,976,343	$ 14,976,343

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to allocate Local Control Funding Formula revenues.	$ 3,403,525
Transfer from the General Fund to the Child Development Fund for operational support.	80,060
Transfer from the General Fund to the Cafeteria Fund for nutritional services support.	25,390
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to provide for modular classrooms.	3,500,000
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund for future facilities projects.	3,500,000
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund for the VCIS loan payment.	25,000
Transfer from the General Fund to the Debt Service Fund for Certificates of Participation payment.	1,265,744
Transfer from the General Fund to the Cafeteria Fund for outstanding meal balances.	102,998
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	169,058
Transfer from the Child Development Fund to the General Fund for indirect costs support.	76,347
Transfer from the Cafeteria Fund to the General Fund for indirect costs support.	470,984
Transfer from the Child Development Fund to the General Fund to provide for Crowley Preschool.	49,506
	$ 12,668,612

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

Governmental Activities	Balance July 1, 2014	Transfers and Additions	Transfers and Deductions	Balance June 30, 2015
Non-depreciable:				
Land	$ 16,315,817	$ 1,939,722	$ -	$ 18,255,539
Work-in-process	18,854,543	19,202,782	(12,473,796)	25,583,529
Depreciable:				
Buildings and improvements	331,454,929	9,026,940	12,473,796	352,955,665
Furniture and equipment	30,124,429	893,473	(330,270)	30,687,632
Totals, at cost	396,749,718	31,062,917	(330,270)	427,482,365
Less accumulated depreciation:				
Buildings and improvements	(109,204,110)	(9,436,826)	-	(118,640,936)
Furniture and equipment	(19,313,114)	(1,888,448)	(270,344)	(20,931,218)
Total accumulated depreciation	(128,517,224)	(11,325,274)	(270,344)	(139,572,154)
Capital assets, net	$ 268,232,494	$ 19,737,643	$ (59,926)	$ 287,910,211

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 7,442,482
Instruction supervision and administration	401,204
Instruction library, media, and technology	126,075
School site administration	1,600,715
Home-to-school transportation	176,643
Food services	279,998
All other pupil services	24,353
Ancillary services	145,617
Enterprise activities	14,747
All other general administration	255,480
Data processing	120,109
Plant services	737,851
Total depreciation expense	$ 11,325,274

(Continued)

NOTE 5 - RISK MANAGEMENT/CLAIMS LIABILITY

The District's risk management activities for employee health benefits are recorded in the Self-Insurance Fund. District exposure to workers' compensation claims and property/liability are provided for through the purchase of insurance from a joint powers entity, Self-Insured Schools of California III (see Note 11). The District records an estimated liability for health care. Health and welfare liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses and an estimate for claims incurred but not reported based on historical experience. The Self-Insurance fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. Coverage amounts over property and liability, $250,000,000 and $50,000,000 respectively, have remained unchanged. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	June 30, 2015	June 30, 2014
Unpaid claim and claim adjustment expenses, beginning of year	$ 5,533,333	$ 3,871,196
Total incurred claims and claim adjustment expenses	32,584,595	37,671,411
Total payments	(32,903,834)	(36,009,274)
Total unpaid claims and claim adjustment expenses at end of year	$ 5,214,094	$ 5,533,333

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: On April 1, 2010, the District issued 2010 General Obligation Refunding Bonds totaling $16,685,000. The proceeds from the Refunding Bonds were used to advance refund the District's Election of 1999 Series A, Election of 1999 Series B, and Election of 1999 Series C General Obligation Bonds. As a result of the refunding certain portions of the Series A, Series B and Series C GO Bonds, totaling $7,710,000, $4,210,000, and $5,475,000, respectively, were considered to be defeased. As of June 30, 2015, no amounts of the refunded bonds remain outstanding. The 2010 Refunding Bonds interest at rates ranging from 2.00% to 4.00% and are scheduled to mature through August 2017 as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 1,640,000	$ 98,000	$ 1,738,000
2017	800,000	49,200	849,200
2018	830,000	16,600	846,600
	$ 3,270,000	$ 163,800	$ 3,433,800

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

On April 25, 2013, the District issued Election of 2012, Series 2013 General Obligation Bonds totaling $33,999,971. The Bonds were comprised of $22,725,000 which were issued as Current Interest Bonds, and $11,274,971, which were issued as Capital Appreciation Bonds. The proceeds of the Bonds are being used to update and construct District facilities. The Bonds bear interest at rates ranging from 4.0% to 5.35% and mature through August 2043, as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 1,425,000	$ 1,038,763	$ 2,463,763
2017	105,000	967,513	1,072,513
2018	550,000	962,263	1,512,263
2019	290,000	934,763	1,224,763
2020	85,000	920,263	1,005,263
2021-2025	6,165,237	4,311,323	10,476,560
2026-2030	4,320,906	6,954,094	11,275,000
2031-2035	3,789,555	9,215,445	13,005,000
2036-2040	5,139,273	9,388,727	14,528,000
2041-2044	11,075,000	1,332,300	12,407,300
	$ 32,944,971	$ 36,025,454	$ 68,970,425

On June 18, 2015, the District issued Election of 2012, Series 2015 General Obligation Bonds, totaling $26,100,000. The proceeds of the Bonds are being used to fund the modernization of existing schools and construction of new facilities. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2040, as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ -	$ 721,219	$ 721,219
2017	360,000	1,155,300	1,515,300
2018	1,045,000	1,120,175	2,165,175
2019	1,350,000	1,060,300	2,410,300
2020	700,000	1,009,050	1,709,050
2021-2025	2,975,000	4,615,125	7,590,125
2026-2030	4,525,000	3,681,125	8,206,125
2031-2035	5,860,000	2,466,975	8,326,975
2036-2040	7,675,000	1,155,300	8,830,300
2041	1,610,000	32,200	1,642,200
	$ 26,100,000	$ 17,016,769	$ 43,116,769

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation: In September 2005, the District issued Certificates of Participation in the amount of $11,955,000 with interest rates from 4.00% to 5.75%, maturing on September 1, 2021.

Scheduled payments for the 2005 COPs are as follows:

Year Ending June 30,	COPs Payments
2016	$ 1,380,144
2017	1,348,359
2018	1,396,038
2019	276,450
2020	281,700
2021-2022	561,800
Total payments	5,244,491
Less amount representing interest	(424,491)
Net present value of minimum payments	$ 4,820,000

In June 2015, the District issued Certificates of Participation (2015 COPs) in the amount of $18,435,000. The 2015 COPs bear interest at rates ranging from 3.0% to 5.0% and mature through September 1, 2038. Proceeds from the issuance of the 2015 COPs will be used for the acquisition and improvement of District property and facilities and to refund on a current basis, the outstanding balance of the 2005 COPs, on September 1, 2015 and the remaining capitalized lease obligation for the Visalia Charter Independent School building.

Scheduled payments for the 2015 COPs are as follows:

Year Ending June 30,	COPs Payments
2016	$ 1,295,233
2017	1,082,863
2018	1,120,113
2019	1,163,163
2020	1,206,460
2021-2025	6,609,588
2026-2030	6,341,875
2031-2035	5,084,631
2036-2039	3,223,000
Total payments	27,126,926
Less amount representing interest	(8,691,926)
Net present value of minimum payments	$ 18,435,000

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases a building, print shop, and buses under agreements which provide either (a) for title to pass upon expiration of the lease period or (b) provide the District with a purchase agreement upon the expiration of the lease period. As of June 30, 2015, the historical cost of capital assets acquired in connection with the leases totaled $5,182,767 and the accumulated depreciation was $1,457,464.

Future yearly payments on the capitalized lease obligations are as follows:

Year Ending June 30,	Lease Payments
2016	$ 785,771
2017	631,521
2018	353,681
2019	353,681
2020	353,681
2021-2025	900,000
Total payments	3,378,335
Less amount representing interest	(477,477)
Net present value of minimum lease payments	$ 2,900,858

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014. as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 40,794,971	$ 26,100,000	$ 4,580,000	$ 62,314,971	$ 3,065,000
Unamortized premiums	2,936,133	2,668,306	270,119	5,334,320	336,604
Accreted interest	416,181	566,258	-	982,439	-
Certificates of Participation	5,880,000	18,435,000	1,060,000	23,255,000	2,040,000
Capitalized lease obligations	2,771,629	725,831	596,602	2,900,858	680,269
State school building loan	210,000	-	-	210,000	-
Net OPEB obligation (Note 10)	10,836,566	9,028,827	8,057,254	11,808,139	-
Net pension liability (Note 8 & 9)	201,307,000	-	40,209,000	161,098,000	-
Compensated absences	1,001,573	15,475	-	1,017,048	-
	$ 266,154,053	$ 57,539,697	$ 54,772,975	$ 268,920,775	$ 6,121,873

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the capitalized lease obligations and the state school building loan are made from the General Fund. Payments on net OPEB obligation, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 7 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	Governmental Activities
Restricted for unspent categorical program revenues	$ 12,315,202
Restricted for special revenues	7,249,571
Restricted for capital projects	10,117,369
Restricted for debt service	8,787,063
Restricted for self-insurance	20,061,940
Total restricted net position	$ 58,531,145

(Continued)

NOTE 7 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 42,676	$ -	$ -	$ -	$ 42,676
Prepaid expenditures	-	-	107,554	-	107,554
Stores inventory	192,951	-	-	192,850	385,801
Subtotal nonspendable	235,627	-	107,554	192,850	536,031
Restricted:					
Unspent categorical revenues	12,315,202	-	-	-	12,315,202
Special revenue programs	-	-	-	7,056,721	7,056,721
Capital projects	-	36,844,696	25,190,367	5,637,672	67,672,735
Debt service	-	-	-	8,787,063	8,787,063
Subtotal restricted	12,315,202	36,844,696	25,190,367	21,481,456	95,831,721
Assigned:					
Other postemployment benefits	11,961,789	-	-	-	11,961,789
New north-west elementary school	10,000,000	-	-	-	10,000,000
Sequoia High School construction	4,000,000	-	-	-	4,000,000
Middle school equipment	1,500,000	-	-	-	1,500,000
LCAP carryover	1,405,000	-	-	-	1,405,000
Charter schools	1,000,000	-	-	-	1,000,000
Other assignments	1,759,000	-	-	-	1,759,000
Subtotal assigned	31,625,789	-	-	-	31,625,789
Unassigned:					
Designated for economic uncertainty	26,216,305	-	-	-	26,216,305
Unassigned	643,116	-	-	-	643,116
Subtotal unassigned	26,859,421	-	-	-	26,859,421
Total fund balances	$ 71,036,039	$ 36,844,696	$ 25,297,921	$ 21,674,306	$ 154,852,962

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $9,268,239 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

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

District's proportionate share of the net pension liability	$ 128,708,000
State's proportionate share of the net pension liability associated with the District	77,720,000
Total	$ 206,428,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.220 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $13,000,257 and revenue of $5,353,006 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	31,694,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	9,268,239	-
Total	$ 9,268,239	$ 31,694,000

$9,268,239 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	$ 7,923,500
2017	$ 7,923,500
2018	$ 7,923,500
2019	$ 7,923,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

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

* 10-year geometric average

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$220,622,000	$128,708,000	$ 68,745,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $3,883,945 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $32,390,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District's proportion was 0.285 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $2,899,922. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	11,129,000
Changes in proportion and differences between District contributions and proportionate share of contributions	81,000	-
Contributions made subsequent to measurement date	3,883,945	-
Total	$ 3,964,945	$ 11,129,000

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$3,883,945 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	$ 2,755,250
2017	$ 2,755,250
2018	$ 2,755,250
2019	$ 2,782,250

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

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

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 56,660,000	$ 32,390,000	$ 11,808,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8 and 9, the District provides post-employment health care benefits to all employees who retire from the District on or after attaining age 55 with at least 15 years of service, in accordance with contracts between the District and employee groups. The District's contribution is the amount contributed on behalf of the active member, excluding life insurance, and ending at age 65. Currently, 342 active employees meet those eligibility requirements. Certificated unit members working at least 50% of full-time are not entitled to District-paid retiree benefits. For 2014-15 this amount is $1,030 per year plus $760 per year for a covered spouse plus $190 per covered dependent for a maximum of three dependents. Management retirees pay $555 per year. Classified unit members working at least 3 hours but less than 4 hours per day received a 25% District contribution upon retirement; those working at least 4 hours but less than 5 hours per day received a 50% District contribution; and those working at least 5 hours but less than 6 hours per day received a 75% contribution upon retirement. For 2014-15 Classified retirees selecting to buy up the more expensive option ("Option B") must pay $408 per year towards their health benefits.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 Cod. Sec. P50.108-.109. 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	$ 9,191,936
Interest on net OPEB obligation	541,828
Adjustment to annual required contribution	(704,937)
Annual OPEB cost (expense)	9,028,827
Contributions made	(8,057,254)
Increase in net OPEB obligation	971,573
Net OPEB obligation - beginning of year	10,836,566
Net OPEB obligation - end of year	$ 11,808,139

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 7,960,584	105.8%	$ 10,518,523
June 30, 2014	$ 7,967,484	96%	$ 10,836,566
June 30, 2015	$ 9,028,827	89.2%	$ 11,808,139

As of July 1, 2014, the most recent actuarial valuation date, the plan was 2.7 percent funded. The actuarial accrued liability for benefits was $78.5 million, and the actuarial value of assets was $2.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $76.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was $131 million, and the ratio of the UAAL to the covered payroll was 58.5 percent. The OPEB plan is currently operated as a single employer pay-as-you-go plan and does not issue stand-alone financial statements.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (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 on the valuation date, and an annual healthcare cost trend rate of 8 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 29 years.

NOTE 11 - JOINT POWERS AGREEMENTS

The District is a member of the Schools Excess Liability Fund (SELF), Self-Insured Schools of California III (SISC III), Tulare County Schools Insurance Group (TCSIG), the Tulare County School District's Self-Insurance Authority (TCSDIA), and Nor-Cal Relief (NCR) public entity risk polls. The District pays an annual premium to each entity for its excess health, worker's compensation, and property liability coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes. The District is also a member of the newly formed Visalia Civic Facilities Authority Joint Powers Authority (JPA). No financial transactions have occurred in the JPA as of June 30, 2015.

Condensed audited financial information for the District's JPAs at June 30, 2015 for SELF, September 30, 2014 for SISC III, and for all others June 30, 2014 (the latest information available) is as follows:

	SELF	SISC III	TCSIG	TCSDSIA	NCR
Total assets	$ 154,727,271	$ 304,614,232	$ 3,013,004	$ 1,281,230	$ 65,717,062
Deferred outflows of resources	$ 99,437	$ -	$ -	$ -	$ -
Total liabilities	$ 122,470,926	$ 159,022,820	$ 1,623,512	$ 604,132	$ 59,524,485
Deferred inflows of resources	$ 166,153	$ -	$ -	$ -	$ -
Net position	$ 32,189,629	$ 145,591,412	$ 1,389,492	$ 677,098	$ 6,192,577
Total revenues	$ 11,968,752	$1,519,341,871	$ 15,164,250	$ 2,995,233	$ 17,745,482
Total expenses	$ 23,063,637	$1,541,013,235	$ 15,131,633	$ 3,051,286	$ 36,589,715
Change in net position	$ (11,094,885)	$ (21,671,364)	$ 32,617	$ (56,053)	$ (18,844,233)

(Continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments: As of June 30, 2015, the District has $45,220,764 in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 173,219,489	$ 172,044,105	$ 173,008,697	$ 964,592
Local sources	25,733,460	32,402,500	29,370,300	(3,032,200)
Total LCFF	198,952,949	204,446,605	202,378,997	(2,067,608)
Federal sources	15,525,561	17,540,122	18,323,841	783,719
Other state sources	6,251,958	15,098,275	15,311,088	212,813
Other local sources	14,145,878	17,099,347	16,333,524	(765,823)
Total revenues	234,876,346	254,184,349	252,347,450	(1,836,899)
Expenditures:				
Current:				
Certificated salaries	104,890,262	108,180,299	103,284,371	4,895,928
Classified salaries	31,100,570	30,931,579	31,007,190	(75,611)
Employee benefits	51,144,424	57,763,119	54,725,269	3,037,850
Books and supplies	11,612,797	21,143,626	17,899,979	3,243,647
Contract services and operating expenditures	18,726,111	27,434,520	22,653,673	4,780,847
Other outgo	3,244,403	3,628,267	2,299,305	1,328,962
Capital outlay	6,506,456	12,133,693	7,670,927	4,462,766
Debt service:				
Principal retirement	591,966	596,602	596,602	-
Interest	115,334	110,695	110,695	-
Total expenditures	227,932,323	261,922,400	240,248,011	21,674,389
Excess (deficiency) of revenues over (under) expenditures	6,944,023	(7,738,051)	12,099,439	19,837,490
Other financing sources (uses):				
Transfers in	1,330,172	765,895	765,895	-
Transfers out	(5,278,923)	(11,902,717)	(11,902,717)	-
Proceeds from the issuance of long-term liabilities	-	725,831	725,831	-
Total other financing sources (uses)	(3,948,751)	(10,410,991)	(10,410,991)	-
Change in fund balance	2,995,272	(18,149,042)	1,688,448	19,837,490
Fund balance, July 1, 2014	69,347,591	69,347,591	69,347,591	-
Fund balance, June 30, 2015	$ 72,342,863	$ 51,198,549	$ 71,036,039	$ 19,837,490

Schedule of Funding Progress

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
July 1, 2008	$ -	$ 58,891,761	$ 58,891,761	0%	$ 112,489,000	52.4%
July 1, 2010	$ -	$ 66,291,096	$ 66,291,096	0%	$ 107,044,000	61.9%
July 1, 2012	$ -	$ 69,837,766	$ 69,837,766	0%	$ 113,378,000	61.6%
July 1, 2014	$ 2,064,156	$ 78,543,166	$ 76,479,010	2.7%	$ 130,681,000	58.5%

Schedule of Employer Contributions

Actuarial Valuation Date	Annual Required Contribution	Contributions	Percentage of ARC Contributed
July 1, 2008	$ 7,338,233	$ 3,172,610	43%
July 1, 2010	$ 7,636,350	$ 6,490,518	85%
July 1, 2012	$ 8,125,805	$ 8,419,051	104%
July 1, 2014	$ 9,191,936	$ 8,057,254	88%

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.220%
District's proportionate share of the net pension liability	$ 128,708,000
State's proportionate share of the net pension liability associated with the District	77,720,000
Total net pension liability	$ 206,428,000
District's covered-employee payroll	$ 98,100,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.285%
District's proportionate share of the net pension liability	$ 32,390,000
District's covered-employee payroll	$ 29,950,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 9,268,239
Contributions in relation to the contractually required contribution	9,268,239
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 104,372,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 3,883,945
Contributions in relation to the contractually required contribution	3,883,945
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 32,996,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

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 Education 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.

Excess of expenditures over appropriations for the year ended June 30, 2015 were as follows:

Fund	Excess Expenditures
General Fund:	
Classified salaries	$ 75,611

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Deferred Mainten-ance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
ASSETS									
Cash in County Treasury	$ 49,763	$ 58,033	$ 3,561,444	$ 3,561	$ 5,164,596	$ 217,680	$ 8,787,063	$ -	$ 17,842,140
Cash on hand and in banks	2,668	-	26,295	-	-	-	-	-	28,963
Receivables	420,750	318,623	1,288,122	-	329,177	-	-	-	2,356,672
Store inventory	-	-	192,850	-	-	-	-	-	192,850
Due from other funds	3,403,525	80,060	29,162	-	-	-	-	-	3,512,747
Total assets	$ 3,876,706	$ 456,716	$ 5,097,873	$ 3,561	$ 5,493,773	$ 217,680	$ 8,787,063	$ -	$ 23,933,372
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 218,340	$ 32,387	$ 27,627	$ 561	$ 73,781	$ -	$ -	$ -	$ 352,696
Unearned revenue	-	15,271	3,535	-	-	-	-	-	18,806
Due to other funds	1,083,871	311,309	489,384	3,000	-	-	-	-	1,887,564
Total liabilities	1,302,211	358,967	520,546	3,561	73,781	-	-	-	2,259,066
Fund balances:									
Nonspendable	-	-	192,850	-	-	-	-	-	192,850
Restricted	2,574,495	97,749	4,384,477	-	5,419,992	217,680	8,787,063	-	21,481,456
Total fund balances	2,574,495	97,749	4,577,327	-	5,419,992	217,680	8,787,063	-	21,674,306
Total liabilities and fund balances	$ 3,876,706	$ 456,716	$ 5,097,873	$ 3,561	$ 5,493,773	$ 217,680	$ 8,787,063	$ -	$ 23,933,372

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:									
Federal sources	$ 447,190	$ 142,192	$ 8,460,008	$ -	$ -	$ -	$ -	$ -	$ 9,049,390
Other state sources	357,597	1,728,694	684,633	-	-	-	-	-	2,770,924
Other local sources	784,655	18,668	1,689,828	-	4,086,850	2,356	4,023,605	-	10,605,962
Total revenues	1,589,442	1,889,554	10,834,469	-	4,086,850	2,356	4,023,605	-	22,426,276
Expenditures:									
Current:									
Certificated salaries	1,994,910	138,980	-	-	-	-	-	-	2,133,890
Classified salaries	545,203	1,075,522	3,465,400	-	-	-	-	-	5,086,125
Employee benefits	1,020,264	333,948	2,022,039	-	-	-	-	-	3,376,251
Books and supplies	305,172	88,797	4,784,911	-	18,667	-	-	-	5,197,547
Contract services and operating expenditures	493,293	55,262	35,787	-	211,249	-	199,019	-	994,610
Capital outlay	968,616	278,061	346,439	-	2,526,540	-	-	-	4,119,656
Debt service:									
Principal retirement	-	-	-	-	-	-	4,580,000	1,060,000	5,640,000
Interest	-	-	-	-	-	-	1,266,438	205,744	1,472,182
Total expenditures	5,327,458	1,970,570	10,654,576	-	2,756,456	-	6,045,457	1,265,744	28,020,261
(Deficiency) excess of revenues (under) over expenditures	(3,738,016)	(81,016)	179,893	-	1,330,394	2,356	(2,021,852)	(1,265,744)	(5,593,985)
Other financing sources (uses):									
Transfers in	3,403,525	80,060	128,388	-	-	-	-	1,265,744	4,877,717
Transfers out	(169,058)	(125,853)	(470,984)	-	-	-	-	-	(765,895)
Premiums on issuance of long-term liabilities	-	-	-	-	-	-	1,808,391	-	1,808,391
Total other financing sources (uses)	3,234,467	(45,793)	(342,596)	-	-	-	1,808,391	1,265,744	5,920,213
Net change in fund balances	(503,549)	(126,809)	(162,703)	-	1,330,394	2,356	(213,461)	-	326,228
Fund balances, July 1, 2014	3,078,044	224,558	4,740,030	-	4,089,598	215,324	9,000,524	-	21,348,078
Fund balances, June 30, 2015	$ 2,574,495	$ 97,749	$ 4,577,327	$ -	$ 5,419,992	$ 217,680	$ 8,787,063	$ -	$ 21,674,306

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Student Body Funds				
Elementary Schools				
Assets:				
Cash in County Treasury	$ 187,380	$ 235,948	$ 217,283	$ 206,045
Cash on hand and in banks	-	-	-	-
Total assets	$ 187,380	$ 235,948	$ 217,283	$ 206,045
Liabilities:				
Due to student groups	$ 187,380	$ 235,948	$ 217,283	$ 206,045
Middle Schools				
Assets:				
Cash in County Treasury	$ 193,561	$ 619,782	$ 574,209	$ 239,134
Cash on hand and in banks	-	-	-	-
Total assets	$ 193,561	$ 619,782	$ 574,209	$ 239,134
Liabilities:				
Due to student groups	$ 193,561	$ 619,782	$ 574,209	$ 239,134
High Schools				
Assets:				
Cash in County Treasury	$ 41,728	$ 98,241	$ 94,684	$ 45,285
Cash on hand and in banks	825,548	3,314,818	3,267,106	873,260
Total assets	$ 239,134	$ 3,413,059	$ 3,361,790	$ 918,545
Liabilities:				
Due to student groups	$ 239,134	$ 3,413,059	$ 3,361,790	$ 918,545
Total Student Body Funds				
Assets:				
Cash in County Treasury	$ 422,669	$ 953,971	$ 886,176	$ 490,464
Cash on hand and in banks	825,548	3,314,818	3,267,106	873,260
Total assets	$ 1,248,217	$ 4,268,789	$ 4,153,282	$ 1,363,724
Liabilities:				
Due to student groups	$ 1,248,217	$ 4,268,789	$ 4,153,282	$ 1,363,724

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Warrant/Pass-Through Fund				
Assets:				
Cash in County Treasury	$ 8,294,175	$ 2,143,113	$ -	$ 10,437,288
Cash on hand and in banks	-	-	-	-
Total assets	$ 8,294,175	$ 2,143,113	$ -	$ 10,437,288
Liabilities:				
Due to other funds	$ 8,294,175	$ 2,143,113	$ -	$ 10,437,288
TOTAL AGENCY FUNDS				
Assets:				
Cash in County Treasury	$ 8,716,844	$ 3,097,084	$ 886,176	$ 10,927,752
Cash on hand and in banks	825,548	3,314,818	3,267,106	873,260
Total assets	$ 9,542,392	$ 6,411,902	$ 4,153,282	$ 11,801,012
Liabilities:				
Due to other funds	$ 8,294,175	$ 2,143,113	$ -	$ 10,437,288
Due to student groups	1,248,217	4,268,789	4,153,282	1,363,724
Total liabilities	$ 9,542,392	$ 6,411,902	$ 4,153,282	$ 11,801,012

Visalia Unified School District was organized in 1885 and consists of an area comprising approximately 177 square miles. The District operates 25 elementary schools, 4 middle schools, 4 high schools, an adult school, a continuation high school, and 4 charter schools. There were no changes in District boundaries during the year.

The Board of Education at June 30, 2015 was comprised of the following members:

GOVERNING BOARD

Name	Office	Term Expires
Juan Guerrero	President	2018
Lucia Vazquez	Clerk	2016
John Crabtree	Member	2018
William A Fulmer	Member	2016
Donna Martin	Member	2016
Jim Qualls	Member	2018
Charles Ulmschneider	Member	2018

ADMINISTRATION

Craig Wheaton, Ed.D.
Superintendent

Tamara Ravalin Ed. D.
Assistant Superintendent, Human Resources Development

Robert Gröeber
Assistant Superintendent, Administrative Services

Doug Bartsch
Assistant Superintendent, Instructional Services
Elementary Schools and Special Education

Todd Oto
Assistant Superintendent Middle Schools, Instructional Services
High Schools and Educational Options

Nathan Hernandez
Chief Financial Officer

	Second Period Report (Original)	Second Period Report (Revised)*	Annual Report
DISTRICT			
Elementary:			
Transitional Kindergarten through Third	8,361	8,361	8,366
Fourth through Sixth	6,296	6,296	6,293
Seventh and Eighth	3,953	3,955	3,944
Special Education	4	4	4
Total Elementary	18,614	18,616	18,607
Secondary:			
Ninth through Twelfth	6,934	6,940	6,865
Special Education	1	1	1
Continuation	245	245	241
Total Secondary	7,180	7,186	7,107
District Totals	25,794	25,802	25,714

* Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of records.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

	Second Period Report	Annual Report
CHARTER SCHOOL - CLASSROOM BASED		
Charter Alternatives Academy		
Fourth through Sixth	1	1
Seventh and Eighth	14	18
Ninth to Twelfth	41	39
Subtotal Charter Alternatives Academy	56	58
Visalia Technical Education Center		
Ninth through Twelfth	197	199
Total Charter School Classroom Based	253	257
CHARTER SCHOOL - NON-CLASSROOM BASED		
Charter Home School Academy		
Transitional Kindergarten through Third	38	39
Fourth through Sixth	27	29
Seventh and Eighth	32	33
Subtotal Charter Home School	97	101
Visalia Charter Independent Study		
Seventh and Eighth	16	16
Ninth through Twelfth	520	518
Subtotal Visalia Charter Independent Study	536	534
Total Charter School Non-Classroom Based	633	635

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015

Grade Level	Statutory Minutes Require-ment	Reduced Minutes Require-ment	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT					
Kindergarten	36,000	35,000	36,180	180	In Compliance
Grade 1	50,400	49,000	51,892	180	In Compliance
Grade 2	50,400	49,000	51,892	180	In Compliance
Grade 3	50,400	49,000	51,892	180	In Compliance
Grade 4	54,000	52,500	57,568	180	In Compliance
Grade 5	54,000	52,500	57,568	180	In Compliance
Grade 6	54,000	52,500	57,568	180	In Compliance
Grade 7	54,000	52,500	63,602	180	In Compliance
Grade 8	54,000	52,500	63,602	180	In Compliance
Grade 9	64,800	63,000	64,031	180	In Compliance
Grade 10	64,800	63,000	64,031	180	In Compliance
Grade 11	64,800	63,000	64,031	180	In Compliance
Grade 12	64,800	63,000	64,031	180	In Compliance
CHARTER SCHOOLS					
Charter Alternatives Academy					
Grade 6	52,457	N/A	66,000	180	In Compliance
Grade 7	52,457	N/A	66,000	180	In Compliance
Grade 8	52,457	N/A	66,000	180	In Compliance
Grade 9	62,949	N/A	66,000	180	In Compliance
Grade 10	62,949	N/A	66,000	180	In Compliance
Grade 11	62,949	N/A	66,000	180	In Compliance
Grade 12	62,949	N/A	66,000	180	In Compliance
Visalia Technical Education Center					
Grade 9	62,949	N/A	65,462	180	In Compliance
Grade 10	62,949	N/A	65,462	180	In Compliance
Grade 11	62,949	N/A	65,462	180	In Compliance
Grade 12	62,949	N/A	65,462	180	In Compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	$ 3,768,519
84.173A	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13693	921,487
	Subtotal Special Education Cluster		4,690,006
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education	13978	196,060
84.002A	Adult Education: Adult Basic Education & ESL	14508	146,293
84.002	Adult Education: Institutionalized Adults	13971	27,263
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	38,315
	Subtotal Adult Education Programs		407,931
	Carl D. Perkins Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	308,456
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	14893	39,260
	Subtotal Carl Perkins Programs		347,716

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education (Continued)			
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	$ 8,641,765
84.011	NCLB: Title I, Part C, Even Start Migrant Education	14768	424,194
84.377	NCLB: Title I, School Improvement Grant (SIG)	15127	820,131
84.367	NCLB: Title II, Part A Improving Teacher Quality Local Grants	14341	787,663
84.365	NCLB: Title III, Limited English Proficiency	14346	417,345
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,566,543
84.282A	NCLB: Title V, Part B, Public Charter Schools Grant	14941	160,083
84.060	Indian Education	10011	156,593
84.184	Safe and Supportive Schools Programmatic Intervention	15164	275,702
	Total U.S. Department of Education		18,695,672
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.778	Medi-Cal Administrative Activities	10060	22,500
93.778	Medi-Cal Billing Option	10013	460,599
	Subtotal Medi-Cal Programs		483,099
93.575	Child Development - Federal Child Care, Center Based	15136	81,214
	Total U.S. Department of Health and Human Services		564,313
U.S. Department of Agriculture - Passed through California Department of Education			
	National School Lunch Program Cluster:		
10.555	National School Lunch Program	13390	6,461,225
10.553	Basic Breakfast	13396	251,435
10.553	Especially Needy Breakfast	13526	1,630,508
	Subtotal National School Lunch Program Cluster		8,343,168
10.582	Fresh Fruit and Vegetable Program	14968	116,838
	Total U.S. Department of Agriculture		8,460,006
	Total Federal Programs		$ 27,719,991

See accompanying notes to supplementary information.

There were no adjustments proposed to any funds of the District

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2015
(UNAUDITED)

	(Budget) 2016	2015	2014	2013
General Fund				
Revenues and other financing sources	$ 284,397,181	$ 253,839,176	$ 223,422,161	$ 202,916,669
Expenditures	260,844,808	240,248,011	211,197,824	196,556,058
Other uses and transfers out	4,109,943	11,902,717	16,571,060	4,877,001
Total outgo	264,954,751	252,150,728	227,768,884	201,433,059
Change in fund balance	$ 19,442,430	$ 1,688,448	$ (4,346,723)	$ 1,483,610
Ending fund balance	$ 90,478,469	$ 71,036,039	$ 69,347,591	$ 73,694,314
Available reserves	$ 28,969,862	$ 26,859,421	$ 37,294,795	$ 37,201,845
Designated for economic uncertainties	$ 28,793,361	$ 26,216,305	$ 35,034,274	$ 36,257,949
Undesignated fund balance	$ 176,501	$ 643,116	$ 2,260,521	$ 943,896
Available reserves as percentages of total outgo	10.9%	10.7%	16.4%	18.5%
All Funds				
Total long-term liabilities	$ 262,798,902	$ 268,920,775	$ 64,847,053	$ 69,264,880
Average daily attendance at P-2, excluding Adult and Charter School	25,802	25,802	25,923	25,641

The General Fund fund balance has decreased by $1,174,665 over the past three years. The fiscal year 2015-2016 budget projects an increase of $19,442,430. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2015, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the fiscal year ending June 30, 2016.

Total long-term liabilities have increased by $199,655,895 over the past two years, due primarily to the issuance of General Obligation Bonds, Certificates of Participation, and the recognition of the District's Net Pension Liability.

Average daily attendance has increased by 161 over the past two years. The District anticipates no change in ADA for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Charter Home School Academy	Included in District Report
Charter Alternatives Academy	Included in District Report
Visalia Charter Independent Study	Included in District Report
Visalia Technical Education Center	Included in District Report

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and was prepared on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2015.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 27,373,231
Add: Medi-Cal Billing Option spent from prior year awards	93.778	346,760
Total Schedule of Expenditure of Federal Awards		$ 27,719,991

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2015, the District did not adopt such a program.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance with State Laws and Regulations

We have audited Visalia Unified School District's compliance with the types of compliance requirements described in the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform procedures related to Independent Study because the District did not generate any ADA for this program.

We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer an Early Retirement Incentive Program.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

We did not perform any procedures related to Middle or Early College High Schools because the District did not operate this program.

We did not perform any procedures related to California Clean Energy Jobs Act because the District did not operate this program.

We did not perform any procedures related to After School Education and Safety Program: Before School, because the District did not offer a Before School program in the current year.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not operate this program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Visalia Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Visalia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Visalia Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, Visalia Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Visalia Unified School District had not complied with the state laws and regulations.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2015

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
Visalia Unified School District
Visalia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Visalia Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Visalia Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

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

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

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

We identified a deficiency involving internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2015-001.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Visalia 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*.

Visalia Unified School District's Response to Finding

Visalia Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, 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 over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance for Each Major Federal Program

We have audited Visalia 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 Visalia Unified School District's major federal programs for the year ended June 30, 2015. Visalia 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 Visalia 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 Visalia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

Management of Visalia 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 Visalia 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 Visalia Unified School District's internal control over compliance.

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

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

Purpose of this Report

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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2015

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.367	NCLB: Title II Part A: Improving Teacher Quality Program
84.287	NCLB: Title IV Part B: 21st Century Community Learning Centers
84.027, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 831,600	
Auditee qualified as low-risk auditee?	X Yes	______ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unmodified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At various school sites selected for testing the following issues were noted:

- A formal fundraising request form was not utilized.
- Monthly report of financial transactions of the various club accounts are not reviewed or approved by site administration.
- Monthly report of financial transactions of the various club accounts are not provided to the clubs for review.
- No consistent use of sub-receipt books.
- Documentation of board minute approval of ASB expenditures was not found.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:

- Maintain fundraising request forms approved by the student council, principal, and district.
- Monthly reports of financial transactions and reconciliations of the various club accounts should be provided to the clubs for review and approval.
- Sub-receipt books and or tally sheets should be used to track the sale of goods and receipt of cash.
- Student council board minutes should be maintained to document the approval of related expenditures.

Corrective Action Plan

Management acknowledged the lack of controls documented above and noted that these controls will be implemented going forward.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented

No matters were reported.