LINCOLN UNIFIED SCHOOL DISTRICT

OF SAN JOAQUIN COUNTY

STOCKTON, CALIFORNIA

JUNE 30, 2015

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kathleen Solari	President	2016
Van Ha To Cowell	Vice President/Clerk	2016
Donald Ruhstaller	Member	2018
Tony Yadon	Member	2018
Jenny Van De Pol	Member	2018

ADMINISTRATION

Tom Uslan	Superintendent
Michele Tatum	Associate Superintendent, Human Resources
Kelly Dextraze	Associate Superintendent, Education Services
Rebecca Hall	Associate Superintendent, Business Services

LINCOLN UNIFIED SCHOOL DISTRICT

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Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Governing Board
Lincoln Unified School District
Stockton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-2015*, issued by the California Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter – Change in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of the District's Proportionate Share of the Pension Liability, and Schedule of District's Contributions for Pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Lincoln Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lincoln Unified School District's internal control over financial reporting and compliance.

Cichella + Tokunaga LLP

El Dorado Hills, California
December 1, 2015

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary and fiduciary. The District does not have any business type activities.

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of government is the Lincoln Unified School District. The Community Facility District No. 1 is a component unit of the District. Separate financial statements for the Community Facilities District No. 1 are not prepared.

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 assets and changes in them. Net assets are the difference between assets and liabilities, 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 present the District’s activities as follows:

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

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 – 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. Government 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 difference of results in the governmental fund financial statements to those in the government-wide financial statements is explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds – When the District charges users for the service 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 Revenue, Expenses and Changes in Fund Net Position*. We use internal service funds (a 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 A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(15.69) million and $44.57 million for the fiscal years ended June 30, 2015 and 2014, respectively. The increase in long-term obligations and deferred inflows and outflows of resources is directly related to the implementation of GASB statements No. 68 and No. 71 related to the recording of pension related obligations. Refer to Note 15 for further information. Our analysis below focuses on the net position (Table 1); and the change in net position (Table 2); of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2015	2014
Assets		
Current and other assets	$ 46.86	$ 54.11
Capital assets	120.02	114.43
Total Assets	**166.88**	**168.54**
Deferred Outflows of Resources		
Deferred outflows - pensions	4.52	-
Deferred outflows - debt refunding	1.06	1.20
	5.58	**1.20**
Liabilities		
Current liabilities	10.37	4.15
Long-term liabilities	164.10	121.02
Total Liabilities	**174.47**	**125.17**
Deferred Inflows of Resources		
Deferred inflows - pensions	13.69	-
Net Position		
Invested in capital assets, net of related debt	46.51	14.80
Restricted	26.59	16.78
Unrestricted	(88.79)	12.99
Total Net Position	**$ (15.69)**	**$ 44.57**

Changes in Net Position

The results of the 2014-15 operations for the District as a whole are reported in the *Statement of Activities* on page 17. Net position decreased by $51,627 due to operating activities and by an additional $60.22 million for the cumulative effect of change in accounting principles for the implementation of GASB 68.

Table 2

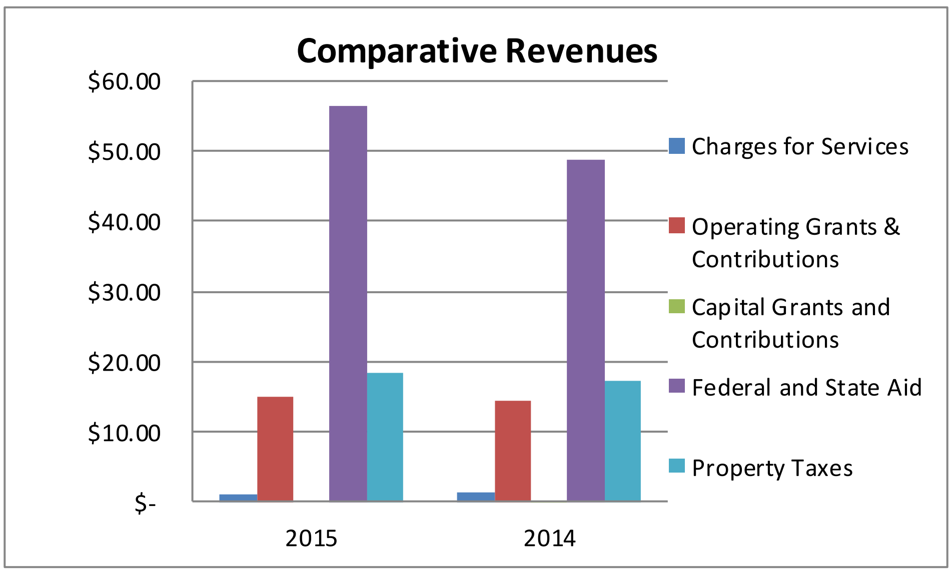
(Amounts in millions)	Governmental Activities 2015	Governmental Activities 2014
Revenues		
Program revenues:		
Charges for services	$ 1.14	$ 1.33
Operating grants and contributions	14.81	14.31
Capital grants and contributions	-	0.01
General revenues:		
Federal and State aid not restricted	56.49	48.81
Property taxes	18.38	17.30
Other general revenues	1.34	0.61
Total Revenues	**92.16**	**82.37**
Expenses		
Instruction-related	55.01	47.80
Pupil services	9.81	8.65
Administration	4.30	3.92
Maintenance and operations	8.78	7.84
Other	14.31	12.89
Total Expenses	**92.21**	**81.10**
Change in Net Position	(0.05)	1.27
Net position - Beginning - as restated	(15.64)	43.30
Net Position - Ending	**$ (15.69)**	**$ 44.57**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities for the years ended June 30, 2015 and 2014 were $92.21 million and $81.10 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $18.38 million and $17.30 million, respectively, because the cost was paid by those who benefited from the programs ($1.14 and $1.33 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($14.81 million and $14.31 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with $56.49 and $48.81 million, respectively, in other Federal and State sources, and with other revenues, like interest and general entitlements of $1.34 and $0.61 million, respectively.

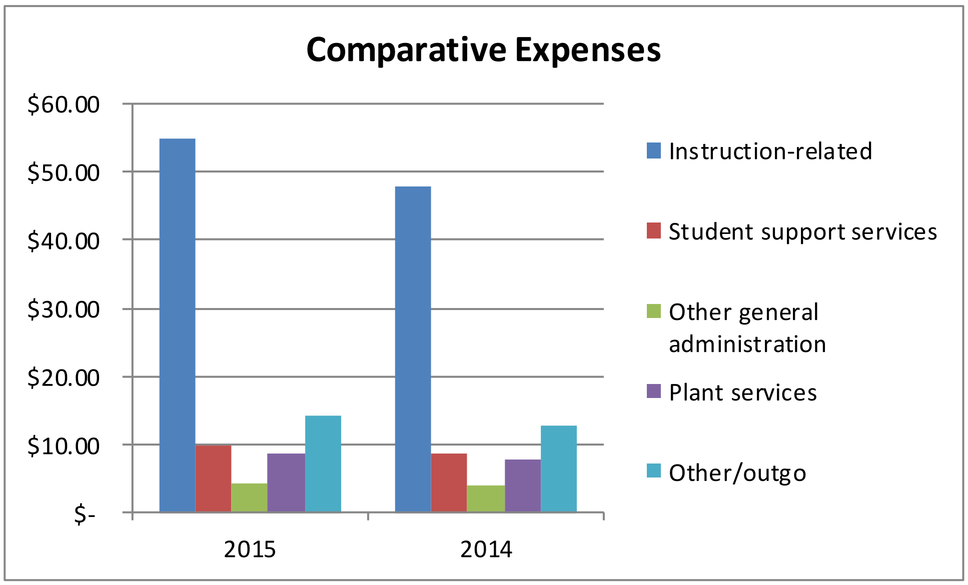
Schedule of Revenues for Governmental Functions

(Amounts in millions)		2015	Percent of Total		2014	Percent of Total
Revenues						
Program revenues:						
Charges for services and sales	$	1.14	1.24%	$	1.33	1.61%
Operating grants and contributions		14.81	16.07%		14.31	17.37%
Capital grants and contributions		-	0.00%		0.01	0.01%
General revenues:						
Federal and State aid not restricted		56.49	61.30%		48.81	59.26%
Property taxes		18.38	19.94%		17.30	21.01%
Other Revenues		1.34	1.45%		0.61	0.74%
Total Revenues	**$**	**92.16**	**100.00%**	**$**	**82.37**	**100.00%**



Schedule of Expenses for Governmental Functions

(Amounts in millions)	2015	Percent of Total	2014	Percent of Total
Expenses				
Instruction-related	$ 55.01	59.66%	$ 47.80	58.94%
Student support services	9.81	10.64%	8.65	10.67%
Other general administration	4.30	4.66%	3.92	4.83%
Plant services	8.78	9.52%	7.84	9.67%
Other/outgo	14.31	15.52%	12.89	15.89%
Total Expenses	$ 92.21	100.00%	$ 81.10	100.00%

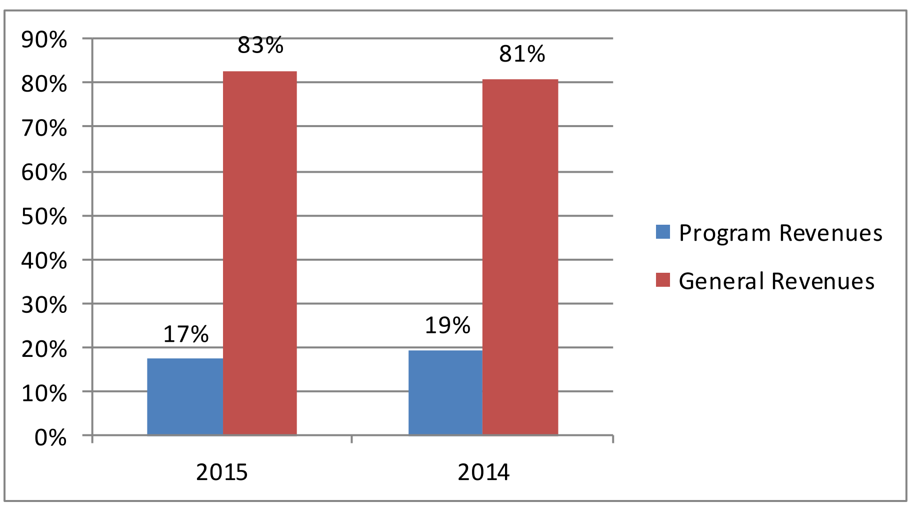


In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's five largest functions – instruction and instruction related, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

Program revenues financed 17 percent of the total cost of providing the service listed above, while the remaining 83 percent was financed by the general revenue of the District.

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 55.01	$ 47.80	$ 46.06	$ 39.28
Student Support Services	9.81	8.65	4.97	4.02
Administration	4.30	3.92	3.63	3.38
Maintenance and Operations	8.78	7.84	8.77	7.69
Other	14.31	12.89	12.83	11.08
Total	**$ 92.21**	**$ 81.10**	**$ 76.26**	**$ 65.45**



THE DISTRICT'S FUNDS

As the District completed the years ended June 30, 2015 and 2014, our governmental funds reported a combined fund balance of $42,625,249 and $51,342,868, respectively. This is a decrease of $8,717,619 from the prior year.

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General	$ 20,512,282	$ 77,421,207	$ 79,620,885	$ 18,312,604
Child Development	511,618	2,011,328	1,916,126	606,820
Cafeteria	1,977,068	3,672,971	3,831,726	1,818,313
Deferred Maintenance	3,115,964	1,249,581	951,434	3,414,111
Building	13,841,535	34,525	7,119,411	6,756,649
Capital Facilities	467,018	50,613	72,758	444,873
County School Facilities Fund	49,221	142	-	49,363
Capital Project Fund for Blended Component Units	3,396,797	948,498	601,668	3,743,627
Bond Interest and Redemption Fund	4,385,762	5,123,474	5,185,942	4,323,294
Debt Services Fund for Blended Component Units	2,830,810	2,513,468	2,494,055	2,850,223
Total	**$ 51,088,075**	**$ 93,025,807**	**$ 101,794,005**	**$ 42,319,877**
Self-Insurance Fund	254,793	650,142	599,563	305,372
Total	**$ 51,342,868**	**$ 93,675,949**	**$ 102,393,568**	**$ 42,625,249**

Governmental funds reported a combined fund balance of $51.34 million as of June 2014, and 42.63 million as of June 2015. This decrease is mostly attributed to building expenditures in fund 21.

General Fund Budgetary Highlights

Throughout the year, the District revised its budget to accommodate unexpected changes in revenues and expenditures. The final revision of the 2014-15 budgets was completed June 30, 2015. A schedule showing the District’s original and final budget figures compared with amounts actually paid and received is provided in our annual report on page 70.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015 and 2014, the District had $120,023,081 and $114,428,234, respectively, in a broad range of capital assets net of accumulated depreciation, including land, buildings, furniture and equipment. For 2015 this represents a net increase (including additions, deductions and depreciation) of $5,594,847, from the prior year.

Table 5

	Capital Assets	
	2015	2014
Land	$ 8,913,336	$ 7,069,259
Building and improvements	103,971,633	104,964,806
Equipment	1,721,974	1,316,107
Work in Progress	5,416,138	1,078,062
Totals	**$ 120,023,081**	**$ 114,428,234**

Long-Term Obligations

At June 30, 2015 and 2014, the District had $168.75 million and $185.06 million, respectively, in bonds outstanding. The bonds were issued for construction projects. Long-term obligations consisted of:

Table 6

(Amounts in millions)	Long-Term Obligations	
	2015	Restated 2014
Community facilities district bonds	$ 26.42	$ 27.72
General obligation bonds	68.06	70.92
Bond premiums net of amortization	3.32	3.47
Certificates of participation	2.33	2.48
Other	17.65	16.43
Net Pension Liability [1]	50.97	64.04
Totals	**$ 168.75**	**$ 185.06**

[1] Beginning balance has been increased by $64.04 million for the net pension liability as result of implmentning GASB 68

Other obligations include compensated absences payable, other post-employment benefits, qualified zone academy bonds, accreted interest on bonds, and technical education loans.

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

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

Lincoln Unified has successfully implemented our first year of our Local Control and Accountability Plan (LCAP) which was adopted in June of 2014. We met with stakeholders and developed and adopted a comprehensive plan that will be revised annually. The district was able to give a raise to all employees and continue funding professional development days with a focus on Common Core State Standards. We began modernization of Village Oaks School to plan for its reopening in 2015-16 as Village Oaks High School. The district purchased new technology, including thousands of Chromebooks to further expand technology access to our students.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS

The District used the following assumptions in constructing the 2015/16 fiscal year budget. The information provided below is current as of July 1, 2015.

Local Control Funding Formula (LCFF)

> The Local Control Funding Formula (LCFF) which is the new finance system for K-12 education. The LCFF provides base, supplemental, and concentration grants in place of most previously existing Funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the District will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

Key assumptions in expenditure forecasting:

	Staffing Ratio
Grades kindergarten through third	*26:1*
Grades four through six	*30:1*
Grades seven through eight (at K-8 sites)	*25:1*
Grades seven and eight	*32:1*
Grades nine through twelve	*32:1*

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 District's Associate Superintendent, Business Services, Rebecca Hall, at Lincoln Unified School District, 2010 W. Swain Road, Stockton, California, 95207 or email at rmhall@lusd.net

LINCOLN UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 42,295,611
Receivables	4,243,478
Stores inventories	324,902
Capital assets not depreciated	190,844,969
Accumulated depreciation of capital assets	(70,821,888)
Total Assets	166,887,072
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - Related to pensions	4,516,684
Deferred outflows - Related to refunding of debt	1,057,396
Total Deferred Outflows of Resources	5,574,080
LIABILITIES	
Accounts payable	4,118,432
Interest payable	1,482,556
Unearned revenue	120,310
Current portion of long-term obligations	4,647,865
Noncurrent portion of long-term obligations	164,099,220
Total Liabilities	174,468,383
DEFERRED INFLOW OF RESOURCES	
Deferred inflows - Related to pensions	13,689,925
NET POSITION	
Invested in capital assets, net of related debt	46,505,862
Restricted for:	
Debt services	7,173,517
Educational programs	2,274,117
Capital projects	10,994,512
Other activities (expendible)	5,839,244
Self Insurance	305,372
Unrestricted	(88,789,780)
Total Net Position	$ (15,697,156)

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

LINCOLN UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 49,455,043	$ 319,049	$ 8,116,232	$ 142	$ (41,019,620)
Instruction-related activities:					
Supervision of instruction	1,011,974	6,232	333,769	-	(671,973)
Instructional library, media, and technology	634,285	-	10,870	-	(623,415)
School site administration	3,912,953	1,943	159,218	-	(3,751,792)
Pupil services:					
Home-to-school transportation	859,094	-	4,040	-	(855,054)
Food services	3,614,115	466,564	2,998,101	-	(149,450)
All other pupil services	5,332,199	1,577	1,367,372	-	(3,963,250)
Administration:					
Data processing	1,489,362	-	-	-	(1,489,362)
All other administration	2,802,874	30,156	632,626	-	(2,140,092)
Plant services	8,783,955	2,632	14,360	-	(8,766,963)
Enterprise services	599,563	14,060	49,924	-	(535,579)
Ancillary services	608,872	-	-	-	(608,872)
Community services	53,080	-	-	-	(53,080)
Interest on long-term obligations	4,926,379	-	-	-	(4,926,379)
Other outgo	1,205,260	293,997	1,121,972	-	210,709
Depreciation (unallocated)	6,918,356	-	-	-	(6,918,356)
Total Governmental Activities	$ 92,207,364	$ 1,136,210	$ 14,808,484	$ 142	(76,262,528)

General revenues and subventions:	
Taxes levied for general purposes	9,969,180
Taxes levied for debt services	4,942,937
Taxes levied for other specific purposes	3,469,095
Federal and State aid not restricted to specific purposes	56,490,824
Interest and investment earnings	66,617
Interagency revenues	24,362
Miscellaneous	1,247,886
Subtotal, General Revenues	76,210,901
Change in Net Position	(51,627)
Net Position - Beginning - as previously reported	44,570,562
Cumulative effect of change in accounting principles	(60,216,091)
Net position - Beginning - as restated	(15,645,529)
Net Position - Ending	$ (15,697,156)

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

LINCOLN UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 18,414,669	$ 7,312,324	$ 16,381,433	$ 42,108,426
Receivables	3,441,961	5,820	795,536	4,243,317
Due from other funds	275,205	-	500,634	775,839
Prepaid expenditures	-	-	-	-
Stores inventories	175,384	-	149,518	324,902
Total Assets	22,307,219	7,318,144	17,827,121	47,452,484
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,315,960	561,495	234,003	4,111,458
Due to other funds	625,019	-	275,820	900,839
Unearned revenue	53,636	-	66,674	120,310
Total Liabilities	3,994,615	561,495	576,497	5,132,607
Fund Balances:				
Nonspendable	190,384	-	149,518	339,902
Restricted	2,083,733	6,756,649	13,686,995	22,527,377
Committed	-	-	-	-
Assigned	790,515	-	3,414,111	4,204,626
Unassigned	15,247,972	-	-	15,247,972
Total Fund Balance	18,312,604	6,756,649	17,250,624	42,319,877
Total Liabilities and Fund Balances	$ 22,307,219	$ 7,318,144	$ 17,827,121	$ 47,452,484

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

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

Total Fund Balance - Governmental Funds		**$ 42,319,877**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 190,844,969	
Accumulated depreciation is	(70,821,888)	
Net Capital Assets		120,023,081
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements unmatured interest on long-term obligations is recognized when it is incurred.		(1,482,556)
An internal service fund is used by the District's management to charge the costs of the proprietary and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		305,372
In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refunding resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as a deferred outflow of resources.		1,057,396
In governmental funds, deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions.		4,516,684
Deferred inflows of resources related to pensions		(13,689,925)

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

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

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	68,060,828	
Bond premium net of amortization	3,321,406	
Accreted interest on bonds	10,319,512	
Community facilities bonds	26,421,568	
Certifcates of participation	2,330,000	
Qualified zone academy bond	1,425,273	
Technical education loans	1,638,632	
Net OPEB obligation	4,004,524	
Compensated absences	258,567	
Net pension liability	50,966,775	
Total Long-Term Obligations		(168,747,085)
Total Net Position - Governmental Activities		$ (15,697,156)

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENEDED JUNE 30, 2015

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 64,036,368	$ -	$ 295,212	$ 64,331,580
Federal sources	3,810,983	-	3,165,022	6,976,005
Other State sources	5,222,319	-	1,011,828	6,234,147
Other local sources	4,351,537	34,525	10,202,801	14,588,863
Total Revenues	77,421,207	34,525	14,674,863	92,130,595
EXPENDITURES				
Current				
Instruction	47,843,684	-	1,438,806	49,282,490
Instruction-related activities:				
Supervision of instruction	763,454	-	249,807	1,013,261
Instructional library, media and technology	641,431	-	-	641,431
School site administration	3,805,170	-	112,703	3,917,873
Pupil services:				
Home-to-school transportation	1,351,309	-	-	1,351,309
Food services	101	-	3,614,697	3,614,798
All other pupil services	5,344,425	-	-	5,344,425
Administration:				
All other administration	2,482,430	-	321,098	2,803,528
Data processing services	1,552,109	-	-	1,552,109
Plant services	8,619,437	-	47,722	8,667,159
Facilities acquisition and construction	3,829,803	7,119,411	1,024,192	11,973,406
Ancillary Services	608,977	-	-	608,977
Community Services	53,083	-	-	53,083
Other outgo	1,205,260	-	-	1,205,260
Debt service:				
Principal	-	-	4,761,283	4,761,283
Interest and other	-	-	3,483,401	3,483,401
Total Expenditures	78,100,673	7,119,411	15,053,709	100,273,793
Excess (Deficiency) of Revenues Over Expenditures	(679,466)	(7,084,886)	(378,846)	(8,143,198)
Other Financing Sources (Uses)				
Transfers in	-	-	895,212	895,212
Other sources	-	-	-	-
Transfers out	(1,520,212)	-	-	(1,520,212)
Net Financing Sources (Uses)	(1,520,212)	-	895,212	(625,000)
NET CHANGE IN FUND BALANCES	(2,199,678)	(7,084,886)	516,366	(8,768,198)
Fund Balance - Beginning	20,512,282	13,841,535	16,734,258	51,088,075
Fund Balance - Ending	$ 18,312,604	$ 6,756,649	$ 17,250,624	$ 42,319,877

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

LINCOLN UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (8,768,198)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation expense	$ (6,918,356)	
Capital outlays	12,513,203	
Net Expense Adjustment		5,594,847
Increases in the liability for other postemployment benefits (OPEB) are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. Decreases to the liability are reported as expenditures in governmental funds, however, the payments reduce the long-term liability in the statement of net position.		(298,106)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(25,129)
Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position.		145,991
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		4,840,628
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense.		(1,424,907)

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

LINCOLN UNIFIED SCHOOL DISTRICT

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

In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt.		(144,191)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This is the net change in interest expense.		(99,216)
An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		50,579
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	4,516,684	
Cost of benefits earned net of employee contributions	(4,440,609)	76,075
Change in Net Position of Governmental Activities		$ (51,627)

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

LINCOLN UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$	187,185
Receivables		161
Due From Other Funds		125,000
Total Current Assets		312,346
LIABILITIES		
Current Liabilities		
Accounts Payable		6,974
Total Current Liabilities		6,974
NET POSITION		
Restricted		305,372
Total Net Position	$	305,372

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

LINCOLN UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 24,632
Total Operating Revenues	24,632
OPERATING EXPENSES	
Other operating costs	$ 599,563
Transfers out	-
Total Operating Expenses	599,563
Operating Income (Loss)	(574,931)
NONOPERATING REVENUES (EXPENSES)	
Interest income	510
Transfers in	625,000
Total Nonoperating Revenues (Expenses)	625,510
Income (Loss) Before Capital Contributions	50,579
Change in Net Position	50,579
Total Net Position - Beginning	254,793
Total Net Position - Ending	$ 305,372

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

LINCOLN UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from Local Revenue	$ (100,357)
Cash payments to suppliers for goods and services	(592,589)
Transfers in	625,000
Net Cash Used by Operating Activities	(67,946)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	510
Net Increase in Cash and Cash Equivalents	(67,436)
Cash and Cash Equivalents - Beginning	254,621
Cash and Cash Equivalents - Ending	$ 187,185
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	11
Increase in due from other funds	(125,000)
Increase in accounts payable	6,974
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (118,015)

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

LINCOLN UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

		Agency Funds
ASSETS		
Deposits and investments	$	708,359
Total Assets		708,359
LIABILITIES		
Due to student groups		708,359
Total Liabilities	$	708,359

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lincoln Unified School District was established on May 23, 1865 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates eight elementary, one middle school, one high school and two continuation schools.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt of the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District and Community Facilities District No. 1 ("CFD") 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 CFD as a blended component unit of the District. Therefore, the financial activities of CFD have been included in the financial statements of the District. The following are those aspects of the relationship between the District and CFD which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100* criteria:

<u>Manifestations of Oversight</u>

- CFD's Board of Directors were appointed by the District's Board of Trustees.
- CFD has no employees. The District's Superintendent functions as an agent of CFD. Neither individual received additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of CFD as it is anticipated that the District will be the sole lessee of all facilities owned by CFD.

<u>Accounting for Fiscal Matters</u>

- All major financing arrangements, contracts, and other transactions of CFD must have the consent of the District.
- Any deficits incurred by CFD will be reflected in the lease payments of the District. Any surpluses of CFD 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 CFD.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by CFD.

Scope of Public Service and Financial Presentation

- CFD was created for the sole purpose of financially assisting the District.
- CFD is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. CFD 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 CFD facilities. When CFD's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all CFD property will pass to the District for no additional consideration.
- CFD's financial activity is presented in the financial statements as the Building Fund. Certificates of Participation issued by CFD are included in the government-wide financial statements.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with five public entity risk pools and one joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County Schools Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Schools Data Processing Group
Schools Excess Liability Fund
Northern California Regional Liability Excess Fund
Central Valley Schools Health and Welfare Trust

Basis of Presentation

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

> **Charter School Fund** This Special Revenues Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.
>
> **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.
>
> **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).
>
> **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.
>
> **Pupil Transportation Equipment Fund** The Pupil Transportation Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (Educational Code Section 41852[b]).

Capital Project Funds The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The District maintains the following capital project funds:

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Capital Project Fund The Capital Project Fund is used to account for funds set up for capital project purposes regarding the Community Facilities District.

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

Debt Service Fund The Debt Service Fund is used to account for debt service purposes of the Community Facilities District.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a property and liability self-insurance fund that is accounted for in an internal service fund.

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

Agency Fund Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of result of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting – Measurement Focus

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

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

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other finance sources) and uses (expenditures and other financing uses) or current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measureable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Prepaid Expenditures

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

Stores Inventory

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

Capital Assets and Depreciation

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that apply to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been offset with unavailable revenue. The District's unavailable revenue in the balance sheet is for the long-term facilities lease and future development fees.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability includes the difference between expected and actual experience, changes in assumptions, difference between projected and actual investment earnings, change in proportion, and differences between the District's contributions and proportionate shares of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

Net Pension Liability

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (CalSTRS Plan), and classified employees are members of the Schools Pool (CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about fiduciary net position of the District's portions of the Plans and additions to and deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. 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.

Interfund Balances (Due to/from)

In the financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balance Reporting

The District reports fund balance within one of the following categories:

Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation, *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy For funds that are determined to fall within the "Committed Fund Balance" classification, the Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30^{th}; however, the amount can be determined with the release of the financial statements.

Assigned Fund Balance Policy Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

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

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Order of Fund Balance Spending Policy For which amounts in any of the unrestricted fund balance classifications could be used, the District's policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balances amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balances for the non-general fund.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues include other local sources. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition such as interest revenue are reported as non-operating revenues and expenses.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Current GASB Implementation

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The Primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. This District has not yet determined the impact on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$	42,096,015
Self-Insurance Fund		187,185
Fiduciary funds		708,359
Total Deposits and Investments	$	42,991,559

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

Cash on hand and in banks	$	3,137,303
Cash in revolving accounts		15,000
Investments		39,839,256
Total Deposits and Investments	$	42,991,559

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Joaquin County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is present in the following schedule:

Investment Type	Fair Value	Days to Maturity
San Joaquin County Investment Pool	$ 39,918,935	353

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating June 30, 2015	Fair Value
San Joaquin County Investment Pool	Not Required	Unrated	$ 39,918,935

Custodial Credit Risk – Deposits

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 $743,695 and the bank balance was $756,706. Of the bank balance, $250,000 was insured by the FDIC, and $506,706 remained uninsured.

NOTE 3 – RECEIVABLES

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

	Governmental Funds				
	General Fund	Building Funds	Non-Major Governmental Funds	Total	Self Insurance Funds
Federal Government					
Categorical aid	$ 2,065,282	$ -	$ 425,947	$ 2,491,229	$ -
State Government					
Apportionment	20,979	-	-	20,979	-
Other State	514,465		34,543	549,008	-
Local Government					
Interest	16,322	5,820	6,923	29,065	161
Other Local Sources	824,913	-	328,123	1,153,036	-
Total	$ 3,441,961	$ 5,820	$ 795,536	$ 4,243,317	$ 161

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 7,069,259	$ 1,844,077	$ -	$ 8,913,336
Work in Progress	1,078,062	11,757,038	7,418,962	5,416,138
Total Capital Assets Not Being Depreciated	8,147,321	13,601,115	7,418,962	14,329,474
Capital Assets Being Depreciated:				
Land Improvements	20,009,477	211,441	-	20,220,918
Buildings and Improvements	145,657,424	5,363,444	-	151,020,868
Furniture and Equipment	4,517,544	756,165	-	5,273,709
Total Capital Assets Being Depreciated	170,184,445	6,331,050	-	176,515,495
Total Capital Assets	178,331,766	19,932,165	7,418,962	190,844,969
Less Accumulated Depreciation:				
Land Improvements	4,306,665	769,592	-	5,076,257
Buildings and Improvements	56,395,430	5,798,466	-	62,193,896
Furniture and Equipment	3,201,437	350,298	-	3,551,735
Total Accumulated Depreciation	63,903,532	6,918,356	-	70,821,888
Governmental Activities Capital Assets, Net	$ 114,428,234	$ 13,013,809	$ 7,418,962	$ 120,023,081

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Unallocated	$ 6,918,356

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consisted of amounts as shown in the schedule below:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 275,205	$ 275,205
Non-Major Governmental Funds	500,019	615	500,634
Self Insurance Fund	125,000	-	125,000
Total	$ 625,019	$ 275,820	$ 900,839

Operating Transfers

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

	Transfer From		
Transfer To	General Fund	Non-Major Fund	Total
General Fund	$ -	$ -	$ -
Non-Major Governmental Funds	895,212	-	895,212
Self Insurance Fund	625,000	-	625,000
	$ 1,520,212	$ -	$ 1,520,212

The General Fund transferred to the Deferred Maintenance Fund for district match and repairs.	$ 895,512
The General Fund transferred to Self-Insurance fund for insurance premiums.	625,000
	$ 1,520,512

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

NOTE 6 – ACCOUNTS PAYABLE

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

	General Fund	Building Funds	Non-Major Governmental Funds	Total	Self Insurance Funds
Apportionment	$ -	$ -		$ -	$ -
Salaries and benefits	1,167,497	-	10,785	1,178,282	
Construction	536,415	561,495	184,835	1,282,745	
Other Liabilities	1,612,048	-	38,383	1,650,431	6,974
Total	$ 3,315,960	$ 561,495	$ 234,003	$ 4,111,458	$ 6,974

NOTE 7 – UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 66,310
State categorical aid	54,000
Total	$ 120,310

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions and Adjustments	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 70,916,482	$ -	$ 2,855,654	$ 68,060,828	$ 2,580,411
Bond premium net of amortization	3,467,397	-	145,991	3,321,406	-
Accreted interest on bonds	8,973,950	1,424,907	79,345	10,319,512	
Community facilities bonds	27,721,568	-	1,300,000	26,421,568	1,355,000
Certifcates of participation	2,480,000	-	150,000	2,330,000	150,000
Qualified zone academy bond	1,588,075	-	162,802	1,425,273	-
Technical education loans	1,931,459	-	292,827	1,638,632	303,887
Net OPEB obligation	3,706,418	724,719	426,613	4,004,524	-
Compensated absences	233,438	25,129	-	258,567	258,567
Net pensions liabilities	64,040,617	3,824,526	16,898,368	50,966,775	
	$ 185,059,404	$ 5,999,281	$ 22,311,600	$ 168,747,085	$ 4,647,865

Payments on the general obligation bonds are made by the bond interest and redemption fund from local property tax revenues. Payments on the certificates of participation are made by the capital facilities fund. The pupil transportation fund makes payments for the capital leases. The compensated absences are paid for by the funds for which the employees worked. The supplemental retirement is funded through the general fund.

General obligation bond

The outstanding general obligation bonded debt is as follows:

On February 16, 2005, the District issued General Obligation Bonds totaling $29,999,379. These serial bonds with interest rates from 3.00% to 6.75% were scheduled to mature in varying amounts through August 2030. With the issuance of the 2013 Refunding Bonds, $22,615,000 of the 2005 bonds outstanding at June 30, 2013 was considered defeased.

Year End June 30,	Principal	Interest	Total
2016	$ -	$ -	$ -
2025-2029	675,343	2,319,657	2,995,000
2030-2031	1,294,036	5,045,962	6,339,998
	$ 1,969,379	$ 7,365,619	$ 9,334,998
Amount Paid during FY 2015		$ -	

On October 25, 2006, the District issued General Obligation Bonds totaling $12,863,292. These serial bonds with interest rates from 4.00% to 6.82% mature in varying amounts through August 2031.

Year End June 30,	Principal	Interest	Total
2016	$ 310,000	$ 293,000	$ 603,000
2017	480,000	280,600	760,600
2018	535,000	261,400	796,400
2019	590,000	240,000	830,000
2020	660,000	213,450	873,450
2021-2025	4,415,000	601,450	5,016,450
2026-2030	2,383,824	3,941,176	6,325,000
2031-2032	2,504,468	7,290,532	9,795,000
	$ 11,878,292	$ 13,121,608	$ 24,999,900
Amount Paid during FY 2015		$ 265,000	

On August 17, 2007, the District issued General Obligation Bonds totaling $4,507,885. These serial bonds with interest rates from 3.95% to 5.72% mature in varying amounts through August 2032.

Year End June 30,	Principal	Interest	Total
2016	$ 103,500	$ 79,300	$ 182,800
2017	108,498	89,302	197,800
2018	106,087	96,713	202,800
2019	112,560	110,240	222,800
2020	112,318	120,482	232,800
2021-2025	606,888	817,112	1,424,000
2026-2030	662,173	1,271,827	1,934,000
2031-2033	2,307,384	4,371,016	6,678,400
	$ 4,119,408	$ 6,955,992	$ 11,075,400
Amount Paid during FY 2015		$ 101,234	

On March 14, 2008, the District issued General Obligation Bonds totaling $2,625,860. These serial bonds mature in varying amounts through February 2033 with interest rates from 5.75% to 6.30%. With this issuance, all Measure P General Obligation Bond funds authorized have been issued.

Year End June 30,	Principal	Interest	Total
2016	$ 91,911	$ 53,089	$ 145,000
2017	86,383	58,618	145,001
2018	86,786	68,214	155,000
2019	84,198	75,802	160,000
2020	84,080	85,920	170,000
2021-2025	407,500	535,553	943,053
2026-2030	464,299	694,828	1,159,127
2031-2033	1,211,471	2,732,653	3,944,124
	$ 2,516,628	$ 4,304,677	$ 6,821,305
Amount Paid during FY 2015		$ 94,420	

On February 1, 2012, the District issued General Obligation Bonds totaling $9,297,123. These serial bonds with interest rates from 2.50% to 5.39% mature in varying amounts through August 2037.

Year End June 30,	Principal	Interest	Total
2016	$ 430,000	$ 267,444	$ 697,444
2017	450,000	250,819	700,819
2018	125,000	236,444	361,444
2019	150,000	231,444	381,444
2020	180,000	225,069	405,069
2021-2025	310,000	1,078,591	1,388,591
2026-2030	961,719	921,959	1,883,678
2031-2035	1,325,403	702,150	2,027,553
2036-2038	3,025,000	186,916	3,211,916
	$ 6,957,122	$ 4,100,836	$ 11,057,958
Amount Paid during FY 2015		$ 1,155,000	

Year End June 30,	Principal	Interest	Total
2016	$ 285,000	$ 273,705	$ 558,705
2017	285,000	266,460	551,460
2018	285,000	259,215	544,215
2019	285,000	250,052	535,052
2020	285,000	238,972	523,972
2021-2025	1,470,000	1,020,802	2,490,802
2026-2030	1,590,000	673,499	2,263,499
2031-2035	1,775,000	238,795	2,013,795
	$ 6,260,000	$ 3,221,500	$ 9,481,500
Amount Paid during FY 2015		$ 280,000	

On April 1, 2014, the District issued General Obligation Bonds totaling $14,000,000. These serial bonds with interest rates from 4.00% to 5.00% mature in varying amounts through August 2038.

Year End June 30,	Principal	Interest	Total
2016	$ 315,000	$ 612,456	$ 927,456
2017	385,000	599,856	984,856
2018	35,000	584,456	619,456
2019	45,000	583,056	628,056
2020	70,000	581,256	651,256
2021-2025	1,245,000	2,803,082	4,048,082
2026-2030	2,305,000	2,408,282	4,713,282
2031-2035	3,760,000	1,736,631	5,496,631
2036-2038	5,840,000	683,869	6,523,869
	$ 14,000,000	$ 10,592,944	$ 24,592,944
Amount Paid during FY 2015		$ -	

On February 1, 2013, the District issued $21,445,000 of General Obligation Refunding Bonds to refund a portion, $22,615,000, of the District's outstanding Election of 2004, Series 2005 bonds and to pay costs of issuing the Refunding Bonds. The bonds mature in varying amounts through August 2026 with interest rates from 2.0% to 5.0%.

Year End June 30,	Principal	Interest	Total
2016	$ 1,045,000	$ 808,225	$ 1,853,225
2017	1,030,000	771,950	1,801,950
2018	1,150,000	728,350	1,878,350
2019	1,275,000	679,850	1,954,850
2020	1,410,000	626,150	2,036,150
2021-2025	9,370,000	2,108,075	11,478,075
2026-2030	5,080,000	180,000	5,260,000
	$ 20,360,000	$ 5,902,600	$ 26,262,600
Amount Paid during FY 2015		$ 960,000	

Community facilities bond

The outstanding Community Facilities bonded debt is as follows:

On August 16, 2006, the District issued $14,750,000 in Special Tax Bonds with interest rates range from 4.00% to 5.00% and maturing in varying amounts through September 2021.

Year End June 30,	Principal	Interest	Total
2016	$ 1,000,000	$ 373,025	$ 1,373,025
2017	1,045,000	321,900	1,366,900
2018	1,095,000	271,138	1,366,138
2019	1,145,000	217,875	1,362,875
2020	1,200,000	159,250	1,359,250
2021-2022	2,585,000	130,875	2,715,875
	$ 8,070,000	$ 1,474,063	$ 9,544,063
Amount Paid during FY 2015		$ 955,000	

On December 16, 2005, the District issued $14,995,814 in Special Tax Bonds with interest rates ranging from 3.25% to 5.31%.

Year End June 30,	Principal	Interest	Total
2016	$ 230,000	$ 305,385	$ 535,385
2017	235,000	296,085	531,085
2018	250,000	286,229	536,229
2019	255,000	275,813	530,813
2020	270,000	264,884	534,884
2021-2025	5,885,000	855,703	6,740,703
2026-2030	3,236,390	6,418,610	9,655,000
2031-2035	2,426,856	7,233,145	9,660,001
2036-2037	797,568	3,072,432	3,870,000
	$ 13,585,814	$ 19,008,286	$ 32,594,100
Amount Paid during FY 2015		$ 220,000	

On September 1, 2007, the District issued $4,890,753 in Special Tax Bonds with interest rates ranging from 3.95% to 5.72%
.

Year End June 30,	Principal	Interest	Total
2016	$ 125,000	$ 199,275	$ 324,275
2017	140,000	193,975	333,975
2018	140,000	188,375	328,375
2019	-	185,575	185,575
2020	305,000	179,475	484,475
2021-2025	505,000	794,288	1,299,288
2026-2030	1,000,000	654,550	1,654,550
2031-2035	1,220,000	409,800	1,629,800
2036-2037	1,330,754	2,081,012	3,411,766
	$ 4,765,754	$ 4,886,325	$ 9,652,079
Amount Paid during FY 2015		$ 125,000	

Qualified Zone Academy Bond

On December 19, 2007, the District issued Qualified Zone Academy Bonds, Series 2007 in the amount of $2,500,000 with an interest rate of 2.0%. As of June 30, 2014, the principal balance outstanding was $1,588,075.

The bonds mature through December 2022 as follows:

Year End June 30,	Principal	Interest	Total
2016	$ 166,058	$ 28,505	$ 194,563
2017	169,379	25,184	194,563
2018	172,767	21,797	194,564
2019	176,222	18,341	194,563
2020	179,747	14,817	194,564
2021-2023	561,100	22,592	583,692
	$ 1,425,273	$ 131,236	$ 1,556,509
Amount Paid during FY 2015		$ 162,802	

Certificate of Participation

On April 15, 2005, the District issued Certificates of Participation in the amount of $3,625,000 with interest rates ranging from 3.0% to 4.625%. As of June 30, 2014, the principal balance outstanding was $2,480,000.

The certificates mature through 2027 as follows:

Year End June 30,	Principal	Interest	Total
2016	$ 150,000	$ 98,937	$ 248,937
2017	160,000	92,738	252,738
2018	165,000	86,135	251,135
2019	175,000	79,013	254,013
2020	180,000	71,424	251,424
2021-2025	1,025,000	228,206	1,253,206
2026-2027	475,000	22,055	497,055
	$ 2,330,000	$ 678,508	$ 3,008,508
Amount Paid during FY 2015		$ 150,000	

Career Technical Education Facilities Program

On October 27, 2009, the District took on a loan resulting from the Career Technical Education Facilities Program in the amount of $3,000,000 with an interest rate of 3.777%. As of June 30, 2014, the principal balance outstanding was $1,931,459.

The payments through July 2019 are as follows:

Year End June 30,	Principal	Interest	Total
2016	$ 303,887	$ 61,891	$ 365,778
2017	315,365	50,413	365,778
2018	327,276	38,502	365,778
2019	339,638	26,141	365,779
2020	352,466	13,313	365,779
	$ 1,638,632	$ 190,260	$ 1,828,892

Amount Paid during FY 2015	$ 292,827

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $258,567.

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2015 was $790,804 and the District made contributions of $426,613 during the year, which resulted in an OPEB obligation of $4,004,524. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 9 – FUND BALANCES

Fund balances with reservations and designations are comprised of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Fund Balances				
Nonspendable:				
Revolving cash	$ 15,000	$ -	$ -	$ 15,000
Stores	175,384	-	149,518	324,902
Prepaid Expenditures	-			
Restricted for:				
Unspent Categorical revenues	2,083,733	-	-	2,083,733
Capital Projects	-	6,756,649	4,237,863	10,994,512
Special revenue programs	-	-	2,275,615	2,275,615
Debt services	-	-	7,173,517	7,173,517
Assigned to:				
IT Upgrades	200,000	-	-	200,000
One-time Mandated Costs for IT	590,515	-	-	590,515
Other Assigned	-	-	3,414,111	3,414,111
Unassigned:				
Reserve for Economic Uncertainty	2,547,868	-	-	2,547,868
Unassigned/Unappropriated Amount	12,700,104	-	-	12,700,104
Total Fund Balance	$ 18,312,604	$ 6,756,649	$ 17,250,624	$ 42,319,877

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

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Lincoln Unified School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees. Membership of the Plan consists of 15 retirees and beneficiaries currently receiving benefits and 36 active plan members. The unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

	Management	Certificated	Classified	Confidential Supervisory
Benefit Types Provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To Age 65	To Age 65	To Age 65	To Age 65
Required Service	10 Years	10 Years	20 Years	10 Years
Minimum Age	55	55	55	55
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution %	100%	100%	100%	100%
District Cap	$636 per month	$717 per month	$811 per month	$773 per month

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through agreements between the District, the District's bargaining units and unrepresented groups. The District made contributions of $426,613 and $490,622 during 2015 and 2014, respectively. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 790,804
Interest on net OPEB obligation	148,257
Adjustment to annual required contribution	(214,342)
Annual OPEB cost (expense)	724,719
Contributions made	(426,613)
Increase in net OPEB obligation	298,106
Net OPEB obligation, beginning of year	3,706,418
Net OPEB obligation, end of year	$ 4,004,524

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015 was as follows:

Year Ended June 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	$ 727,131	68%	$ 3,474,030
2014	$ 723,010	68%	$ 3,706,418
2015	$ 724,719	59%	$ 4,004,524

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the "substantive plan" (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation along with the historical pattern of the 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 30, 2015, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after three years. Both rates included a 3 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 dollar amount on an open basis. The remaining amortization period at June 30, 2015, was 29 years.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2015, the District contracted for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For the fiscal year 2015, the District participated in the San Joaquin County Schools Workers' Compensation Insurance Group, an insurance purchasing pool. The intent of the San Joaquin County Schools Workers' Compensation Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the San Joaquin County Schools Workers' Compensation Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the San Joaquin County Schools Workers' Compensation Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity-pooling" arrangement ensures that each participant shares equally in the overall performance of the San Joaquin County Schools Workers' Compensation Insurance Group. Participation in the San Joaquin County Schools Workers' Compensation Insurance Group is limited to districts that can meet the San Joaquin County Schools Workers' Compensation Insurance Group selection criteria.

Insurance Program/Company Name	Type of Coverage	Limits
San Joaquin County W/C JPA (PIPS)	Workers' Compensation	$1,000,000
Norcal ReLief	General Liability	$5,000,000 with $50,000 retention
	Automobile	$5,000,000 with $50,000 retention
	Property	$250,250,000 with $25,000 retention
	Student Professional Liability	Included with $50,000 retention

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California to provide employee medical and surgical benefits for all employees. The entity is a shared risk pool comprised of school districts throughout the state. Rates are set through an annual calculation process. The District pays a monthly contribution to the entity, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teacher's Retirement Plan (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age at final compensation and a benefit formula. Benefits are provided for disability, death and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or after January 1, 2013 to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as part of the State of California's (the State) 2014-15 budget, increased contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2015, was 8.88% of annual pay. District contributions to the CalSTRS Plan were $3,152,807 for the year ended June 30, 2015.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. Thus the State contributions rate, which in the period ended June 30, 2015 was 3.454% of covered payroll, will increase over the next two years to a total of 6.328%.

Actuarial Assumptions

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

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return	7.60%[1]
Mortality [2]	CalSTRS' Members Data
Post-Retirement Benefit Increase	2% simple

1 Net of investment expenses, but gross of administrative expenses.
2 CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP 2000 series tables adjusted to fit CalSTRS experience. RP 2000 series table 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.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.6%. The projection of each flow used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contributions rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that the contributions, benefits payments and administrative expenses occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payment to determine the total pension liability.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best –estimate ranges of expected future real rates of return (expected returns, net of pensions 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 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 lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by CalSTRS' general investment consultant is based on CalSTRS' board policy for target asset allocation in effect on February 2, 2013, the date the current experience study was approved by the CalSTRS 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
	100%	

* 10-year geometric average

California Public Employee's Retirement System (CalPERS)

Plan Description

The District participates in the California Public Employee's Retirement System (CalPERS Plan). A cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS act as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on member's year of service, age at final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 - Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 - Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013 must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1 2013, must be at least age 52 with a minimum of five years of service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on the July 1 following, notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2015 was 11.771% of annual pay. District contributions to the CalPERS Plan were $1,363,877 for the year ended June 30, 2015.

Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies[1]
Investment Rate of Return	7.50[2]
Mortality [3]	CalPERS' Members Data
Post-Retirement Benefit Increase	Up to 2.75%[4]

[1] Depending on age, service and type of employment
[2] Net of pension plan investment and administrative expenses; includes inflation
[3] The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale Bb. For more details on this table, refer to the 2014 Experience Study report.
[4] contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are present in detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2014 based on June 30, 2013 Valuation*, that can be obtained from CalPERS website.

According to Paragraph 30 of Statement 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 this accounting 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. For the Schools Pool, this difference was deemed immaterial.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 funds' 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Year 1-10[a]	Real Return Year 11+[b]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19	0.99	2.43
Inflation Sensitive	6	0.45	3.36
Private Equity	12	6.83	6.95
Real Estate	11	4.50	5.13
Infrastructure and Forestland	3	4.50	5.09
Liquidity	2	-0.55	-1.05
Total	100%		

[a] An expected inflation of 2.5% was used for this period
[b] An expected inflation of 3.0% was used for this period

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

As of June 30, 2015 the District reported a liability for its proportional share of the net pension liability that reflect a reduction for the State's 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:		
CalSTRS Plan	$	39,602,988
CalPERS Plan		11,363,787
State's proportionate share of CalSTRS net pension liability associated with the District		23,920,205
Total	$	74,886,980

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2014 and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2014, was 0.068% and 0.1001% for the CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2015, the District recognized pension expense of $6,125,338 and revenue of $1,684,729 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	
District contributions subsequent to measurement date	$	4,516,684		-
Net difference between projected and actual earnings on plan investment		-	$	13,689,925
Total	$	4,516,684	$	13,689,925

The $4,516,684 reported as deferred outflows of resource related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	$ (3,422,481)
2017	(3,422,481)
2018	(3,422,481)
2019	(3,422,482)
Total	$ (13,689,925)

<u>Sensitivity of the District's Proportional Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using discount rate that is 1 percentage – point lower or 1 percentage – point higher than the current rate.

	Discount Rate -1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 61,939,840	$ 39,602,988	$ 21,224,160

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 19,934,677	$ 11,363,787	$ 4,201,945

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Joaquin County School Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group public entity risk pools, the San Joaquin County Schools Data Processing Center Joint Power Authorities (JPA) Northern California Regional Liability Excess Fund, Schools Excess Liability Fund, and Central Valley Schools Health and Welfare Trust. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

Financial information for CVSHWT was not available. The following is a summary of financial information for the other JPA's as June 30, 2014 (the latest information available)

	SJCSWC JPA	SJCSPL JPA	NCRLF	SJCSDPC	SELF
Total assets	$ 13,552,170	$ 882,354	$ 65,717,062	$ 1,923,243	$162,746,000
Total liabilities	$ 2,270,252	$ 219,508	$ 59,524,485	$ 13,273	$118,853,000
Net position	$ 11,281,918	$ 662,846	$ 6,192,577	$ 1,909,970	$ 43,893,000
Total revenues	$ 7,516,958	$ 1,499,763	$ 17,174,787	$ 2,068,938	$ 11,812,000
Total expenses	$ 6,786,875	$ 1,359,067	$ 36,589,715	$ 2,238,265	$ 4,199,000
Change in net position	$ 730,083	$ 140,696	$ (19,414,928)	$ (169,327)	$ 7,613,000

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

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- and No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date.*

The effect on beginning net position is presented as follows:

Net Position - Beginning as Previously Reported	$	44,570,562
Net pension liability		(64,040,617)
Deferred outflows - District's contributions made during fiscal year 2014		3,824,526
Net position - Beginning as Restated	$	(15,645,529)

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II - Required Supplementary Information

LINCOLN UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
LCFF sources	$ 63,458,389	$ 64,036,368	$ 64,036,368	$ -
Federal sources	3,499,959	3,810,983	3,810,983	-
Other State sources	2,726,668	5,222,319	5,222,319	-
Other local sources	2,155,823	4,351,538	4,351,537	(1)
Total Revenues	71,840,839	77,421,208	77,421,207	(1)
EXPENDITURES				
Current				
Certificated salaries	36,487,430	36,755,471	36,755,469	2
Classified salaries	9,855,900	10,561,030	10,561,030	-
Employee benefits	13,014,136	14,034,867	14,034,866	1
Books and supplies	4,369,070	4,392,143	4,392,143	-
Services and operating expenditures	6,086,399	6,956,195	6,956,196	(1)
Other outgo	1,903,593	2,404,375	2,404,375	-
Capital outgo	3,063,225	2,996,595	2,996,594	1
Debt services - principal	-	-	-	-
Debt services - interest	-	-	-	-
Total Expenditures	74,779,753	78,100,676	78,100,673	3
Excess (Deficiency) of Revenues Over Expenditures	(2,938,914)	(679,468)	(679,466)	2
Other Financing Sources (Uses)				
Transfers in		-	-	-
Transfers out	(895,212)	(1,520,212)	(1,520,212)	-
Net Financing Sources (Uses)	(895,212)	(1,520,212)	(1,520,212)	-
NET CHANGE IN FUND BALANCES	(3,834,126)	(2,199,680)	(2,199,678)	2
Fund Balance - Beginning	20,512,282	20,512,282	20,512,282	-
Fund Balance - Ending	$ 16,678,156	$ 18,312,602	$ 18,312,604	$ 2

See accompanying note to required supplementary information

LINCOLN UNIFIED SCHOOL DISTRICT

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
December 1, 2010	$ -	$ 10,885,000	$ 10,885,000	0%	$ 34,100,000	32%
December 1, 2012	$ -	$ 6,916,573	$ 6,916,573	0%	$ 39,100,000	18%
July 1, 2014	$ -	$ 6,878,551	$ 6,878,551	0%	$ 47,000,000	15%

See accompanying note to required supplementary information

LINCOLN UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2015 LAST 10 YEARS*

CalSTRS Plan

		2015
Proportion of the net pension liability		0.0680%
District's proportionate share of the net pension liability	$	39,602,988
State's proportionate share of the net pension liability associated with the District		23,920,205
Total	$	63,523,193
District's Covered employee payroll	$	31,946,618
District's proportionate share of the net pension liability as a percentage of its covered employee payroll		124%
Plan fiduciary net position as a percentage of the total pension liability		77%

CalPERS Plan

		2015
Proportion of the net pension liability		0.1001%
District's proportionate share of the net pension liability	$	11,363,787
District's covered employee payroll	$	10,390,928
District's proportionate share of the net pension liability as a percentage of its covered employee payroll		109%
Plan fiduciary net position as a percentage of the total pension liability		83%

Notes to Schedule:

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Change in assumption – In 2015, there were no changes in assumption.

*Fiscal year 2015 was the first year of implementation, therefore only on year is shown.

See accompanying note to required supplementary information

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSION
AS OF JUNE 30, 2015
LAST 10 YEARS*

CalSTRS Plan

	2015
Contractually required contribution (actuarially determined)	$ 3,152,807
Contributions in relation to the actuarially determined contribution	3,152,807
Contribution deficiency (excess)	$ -
Covered-employee payroll	$35,506,404
Contribution as a percentage of covered-employee payroll	8.88%

CalPERS Plan

	2015
Contractually required contribution (actuarially determined)	$ 1,363,877
Contributions in relation to the actuarially determined contribution	1,363,877
Contribution deficiency (excess)	$ -
Covered-employee payroll	$11,626,661
Contribution as a percentage of covered-employee payroll	11.73%

*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

See accompanying note to required supplementary information

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District's Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

III - Supplementary Information

LINCOLN UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
No Child Left Behind (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,666,767
Subtotal Title I Grants to Local Educational Agencies Cluster			1,666,767
Title I Advance Placement Reimbursement Program	84.33	14831	8,658
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	378,875
Title II, Part B, California Mathematics and Science Partnerships	84.366	14512	66,364
Title III, Limited English Proficient Student Program	84.365	14346	134,489
Title III, Immigrant Education Program	84.365	14346	1,616
Vocational Programs, Secondary I C	84.048	14894	56,432
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	1,278,346
IDEA, Preschool Grants, Part B	84.173	13430	23,447
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	72,039
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			1,373,832
Total U.S. Department of Education			3,687,033
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	2,823,149
National School Lunch Summer Program	10.559	13004	105,253
Total U.S. Department of Agriculture			2,928,402
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Medical Billing Option	93.778	10113	123,951
ARRA Quality Improvement Activities	93.713	15011	21,326
Child Development: Federal Child Care	93.596	13609	41,990
Total U.S. Department of Health and Human Services			187,267
Total Expenditures of Federal Awards			$ 6,802,702

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2015

ORGANIZATION

The Lincoln Unified School District was established May 23, 1865 and consists of an area comprising approximately 7.2 square miles. The District operates eight elementary, one middle school, one high school and two continuation schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kathleen Solari	President	2016
Van Ha To Cowell	Vice President	2016
Donald Ruhstaller	Clerk	2018
Tony Yadon	Member	2018
Jenny Van De Pol	Member	2018

ADMINISTRATION

Tom Uslan	Superintendent
Michele Tatum	Associate Superintendent, Human Resources
Kelly Dextraze	Associate Superintendent, Education Services
Rebecca Hall	Associate Superintendent, Business Services

See accompanying note to supplementary information.

LINCOLN UNIFIED SCHOOL DISTRICT

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

	Second Period Report	Annual Report
ELEMENTARY		
Transitional kindergarten/kindergarten through third	2,424.27	2,427.17
Fourth through sixth	2,043.51	2,041.31
Seventh and eight	1,393.92	1,390.98
Extended year special education	9.66	9.66
Non-public special education	5.22	5.22
Total Elementary	5,876.58	5,874.34
SECONDARY		
Ninth through twelfth	2,954.17	2,933.81
Extended year special education	0.19	0.19
Non-public special education	5.01	5.12
Total Secondary	2,959.37	2,939.12
Total K-12	8,835.95	8,813.46

See accompanying note to supplementary information.

LINCOLN UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	36,000	180	N/A	Complied
Grade 1	50,400	49,000	54,115	180	N/A	Complied
Grade 2	50,400	49,000	54,115	180	N/A	Complied
Grade 3	50,400	49,000	54,115	180	N/A	Complied
Grade 4	54,000	52,500	54,428	180	N/A	Complied
Grade 5	54,000	52,500	54,428	180	N/A	Complied
Grade 6	54,000	52,500	54,428	180	N/A	Complied
Grade 7	54,000	52,500	57,519	180	N/A	Complied
Grade 8	54,000	52,500	57,519	180	N/A	Complied
Grade 9	64,800	63,000	66,829	180	N/A	Complied
Grade 10	64,800	63,000	66,829	180	N/A	Complied
Grade 11	64,800	63,000	66,829	180	N/A	Complied
Grade 12	64,800	63,000	66,829	180	N/A	Complied

See accompanying note to supplementary information.

LINCOLN UNIFIED SCHOOL DISTRICT

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FORM ASSET	
Balance, June 30, 2015, Unaudited Actuals	$ 114,428,232
Increase in:	
Land	1,844,077
Work in Progress	4,338,076
Land Improvements	211,441
Buildings and improvements	5,363,444
Furniture and equipment	756,165
Accumulated depreciation	(6,918,354)
Balance, June 30, 2015, Audited Financial Statement	$ 120,023,081

FORM DEBT	
Total Liabilities, June 30, 2015, Unaudited Actuals	$ 107,606,787
Increase in:	
Net Pension Liability	50,966,775
Other long term debt	2
Accreted interest	10,319,512
Decrease in:	
General obligation bonds	(145,991)
Total Liabilities, June 30, 2015, Audited Financial Statements	$ 168,747,085

See accompanying note to supplementary information.

LINCOLN UNIFIED SCHOOL DISTRICT

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

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 85,946,000	$ 77,421,207	$ 68,915,601	$ 63,012,665
Other sources and transfers in	-	-	-	-
Total Revenues	85,946,000	77,421,207	68,915,601	63,012,665
Expenditures	85,572,444	78,100,673	65,987,649	60,288,505
Other uses and transfers out	1,017,630	1,520,212	1,220,212	870,212
Total Expenditures and Other Uses	86,590,074	79,620,885	67,207,861	61,158,717
INCREASE (DECREASE) IN FUND BALANCE	$ (644,074)	$ (2,199,678)	$ 1,707,740	$ 1,853,948
ENDING FUND BALANCE	$ 17,668,530	$ 18,312,604	$ 20,512,282	$ 18,804,542
AVAILABLE RESERVES [2]	$ 11,087,431	$ 15,247,972	$ 18,011,234	$ 16,388,063
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.80%	19.15%	26.80%	26.80%
LONG-TERM OBLIGATIONS [3]	$164,099,220	$168,747,085	$185,059,404	$109,642,490
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,660	8,836	8,820	8,681

The General Fund balance has decreased by $491,938 over the past two years. The fiscal year 2015-2016 budget projects a budget decrease of $644,074. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

Total long-term obligations have increased by $59,104,595 over the past two years.

Average daily attendance has increased by 155 over the past two years. A decrease of 176 ADA is anticipated during fiscal year 2015-2016.

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

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

[3] Beginning for the fiscal year 2014-15, the net pension liability is included in long-term debt due to the implementation of GASB 68. Fiscal year 2013-14 long-term debt was restated to include the net pension liability.

See accompanying note to supplementary information.

LINCOLN UNIFIED SCHOOL DISTRICT

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

Name of Charter School	Included in Audit Report
The District does not sponsor any charter schools	

See accompanying note to supplementary information.

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LINCOLN UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 436,070	$ 1,440,307	$ 3,096,571	$ 444,534
Receivables	328,152	461,832	2,657	339
Due from other funds	19	615	500,000	-
Prepaid expenses	-	-	-	-
Stores inventories	-	149,518	-	-
Total Assets	764,241	2,052,272	3,599,228	444,873
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	21,497	27,671	184,835	-
Due to other funds	69,250	206,288	282	-
Unearned Revenue	66,674	-	-	-
Total Liabilities	157,421	233,959	185,117	-
Fund Balances:				
Nonspendable		149,518	-	-
Restricted	606,820	1,668,795	-	444,873
Committed	-	-	-	
Assigned	-	-	3,414,111	-
Total Fund Balance	606,820	1,818,313	3,414,111	444,873
Total Liabilities and Fund Balances	$ 764,241	$ 2,052,272	$ 3,599,228	$ 444,873

See accompanying note to supplementary information.

	County School Facilities Fund	Capital Project Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
	$ 49,321	$ 3,741,459	$ 4,323,294	$ 2,849,877	$ 16,381,433
	42	2,168	-	346	795,536
	-	-	-	-	500,634
	-	-	-	-	-
	-	-	-	-	149,518
	49,363	3,743,627	4,323,294	2,850,223	17,827,121
	-	-	-	-	234,003
	-	-	-	-	275,820
	-	-	-	-	66,674
	-	-	-	-	576,497
	-	-	-	-	149,518
	49,363	3,743,627	4,323,294	2,850,223	13,686,995
	-	-	-	-	-
	-	-	-	-	3,414,111
	49,363	3,743,627	4,323,294	2,850,223	17,250,624
	$ 49,363	$ 3,743,627	$ 4,323,294	$ 2,850,223	$ 17,827,121

LINCOLN UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
LCFF sources	$ -	$ -	$ 295,212	$ -
Federal sources	63,316	2,928,402	-	-
Other State sources	703,177	245,981	-	-
Other local sources	1,244,835	498,588	59,157	50,613
Total Revenues	2,011,328	3,672,971	354,369	50,613
EXPENDITURES				
Current				
Instruction	1,438,806	-	-	-
Instruction-related activities:				
Supervision of Instruction	249,807	-	-	-
School site administration	112,703	-	-	-
Pupil services:				
Food services	-	3,614,697	-	-
General administration				
All other general administration	114,810	206,288	-	-
Plant services	-	10,741	-	-
Facilities acquisition and construction	-	-	951,434	72,758
Debt Service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	1,916,126	3,831,726	951,434	72,758
Excess (Deficiency) of Revenues Over Expenditures	95,202	(158,755)	(597,065)	(22,145)
Other Financing Sources (Uses)				
Transfers in	-	-	895,212	-
Net Financing Sources (Uses)	-	-	895,212	-
NET CHANGE IN FUND BALANCES	95,202	(158,755)	298,147	(22,145)
Fund Balance - Beginning	511,618	1,977,068	3,115,964	467,018
Fund Balance - Ending	$ 606,820	$ 1,818,313	$ 3,414,111	$ 444,873

See accompanying note to supplementary information.

County School Facilities Fund	Capital Project Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 295,212
-	-	173,304	-	3,165,022
-	-	62,670	-	1,011,828
142	948,498	4,887,500	2,513,468	10,202,801
142	948,498	5,123,474	2,513,468	14,674,863
-	-	-	-	1,438,806
-	-	-	-	249,807
-	-	-	-	112,703
-	-	-	-	3,614,697
-	-	-	-	321,098
-	36,981	-	-	47,722
-	-	-	-	1,024,192
-	455,629	2,855,654	1,450,000	4,761,283
-	109,058	2,330,288	1,044,055	3,483,401
-	601,668	5,185,942	2,494,055	15,053,709
142	346,830	(62,468)	19,413	(378,846)
-	-	-	-	895,212
-	-	-	-	895,212
142	346,830	(62,468)	19,413	516,366
49,221	3,396,797	4,385,762	2,830,810	16,734,258
$ 49,363	$ 3,743,627	$ 4,323,294	$ 2,850,223	$ 17,250,624

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 – PURPOSES OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Federal Interest Subsidies exempt from the Schedule of Expenditures of Federal Awards.

Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 6,976,005
Federal Interest subsidy on Qualified School Construction Bonds	84.001	(173,303)
Total Schedule of Expenditures of Federal Awards		$ 6,802,702

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time and Schedule of Instructional Time – Charter School

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.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

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

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance

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

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IV - Independent Auditors' Reports

Cichella & Tokunaga, LLP
Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

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

Governing Board
Lincoln Unified School District
Stockton, 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 the Lincoln Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lincoln Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

El Dorado Hills, California
December 1, 2015

Cichella & Tokunaga, LLP
Certified Public Accountants
4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

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

Governing Board
Lincoln Unified School District
Stockton, California

Report on Compliance for Each Major Federal Program

We have audited Lincoln 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 Lincoln Unified School District's (the District) major Federal programs for the year ended June 30, 2015. Lincoln 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 Lincoln 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 Lincoln 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 Lincoln Unified School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP

El Dorado Hills, California
December 1, 2015

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Lincoln Unified School District
Stockton, California

Report on State Compliance

We have audited Lincoln Unified School District's compliance with the types of compliance requirements as described in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2014-2015* applicable to the Lincoln Unified School District's programs as identified in the below schedule for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lincoln Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-2015,* published by the Education Audit Appeals Panel. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lincoln 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 State compliance. Our audit does not provide a legal determination of Lincoln Unified School District's compliance with those requirements.

Other Matters

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

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICE EDUCATION AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
CHARTER SCHOOLS	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-classroom-Based Instructions/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facilities Grant Program	Not Applicable

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

Opinion on State Compliance

In our opinion, Lincoln 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 the programs identified in the above schedule for the year ended June 30, 2015

Crowe Horwath LLP

El Dorado Hills, California
December 1, 2015

V - Schedule of Findings and Questioned Costs

LINCOLN UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)	No
Identification of major federal programs	

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.559	Child Nutrition Cluster

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

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

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

There were no audit findings and questioned costs related to the federal awards for the year ended June 30, 2015.

LINCOLN UNIFIED SCHOOL DISTRICT

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

There were no audit findings and questioned costs related to the state awards for the year ended June 30, 2015.

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

There were no prior year findings reported for June 30, 2014.