SOLEDAD UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SOLEDAD UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Soledad Unified School District
Soledad, 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 Soledad 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

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 Soledad Unified School District, as of June 30, 2015, and the respective changes in financial position 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*. 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 on pages 5 through 13, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 62 through 65, respectively, 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 Soledad Unified School District's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by 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 January 29, 2016, on our consideration of the Soledad Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Soledad Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 29, 2016

SOLEDAD UNIFIED SCHOOL DISTRICT

Rupi Boyd, Ed. D., Superintendent

"Education for Life"

Soledad High School
425 Gabilan Drive
Soledad, CA 93960
(831) 678-6400

Community Education Center
690 Main Street
Soledad, CA 93960
(831) 678-6300

Main Street Middle School
441 Main Street
Soledad, CA 93960
(831) 678-6460

K-6
ELEMENTARY SCHOOLS

Gabilan School
330 N. Walker Drive
Soledad, CA 93960
(831) 678-6440

Rose Ferrero School
400 Entrada Drive
Soledad, CA 93960
(831) 678-6480

San Vicente School
1300 Metz Road
Soledad, CA 93960
(831) 678-6420

Frank Ledesma School
973 Vista de Soledad
Soledad, CA 93960
(831) 678-6320

Jack Franscioni School
779 Orchard Lane
Soledad, CA 93960
(831) 678-6340

This section of Soledad 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 District and its component units 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. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

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

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

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 the government is the Soledad Unified School District.

DISTRICT OFFICE
1261 Metz Rd., P.O. Box 186, Soledad, California 93960 (831) 678-3987 Fax: (831) 678-2866

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, 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 - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts 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 *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The District ended the 2014-2015 fiscal year with a positive General Fund balance of $9,572,693 of which $1,396,295 is restricted in nature and represents carry-over balances from various grants. The District was able to maintain a minimum reserve for economic uncertainties of 13.0 percent which amounted to about $6.4 million dollars. Other components of the ending General Fund balance are set-asides for other assignments as directed by the Governing Board.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $4.9 million for the fiscal year ended June 30, 2015. Of this amount, $3.0 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities 2015	Governmental Activities Restated 2014
Assets		
Current and other assets	$ 42.5	$ 21.2
Capital assets	45.9	45.3
Total Assets	88.4	66.5
Deferred Outflows of Resources	2.9	2.2
Liabilities		
Current liabilities	4.9	5.0
Long-term liabilities	73.5	58.4
Total Liabilities	78.4	63.4
Deferred Inflows of Resources	8.0	-
Net Position		
Net investment in capital assets	34.2	34.3
Restricted	3.0	3.5
Unrestricted	(32.3)	(32.5)
Total Net Position	**$ 4.9**	**$ 5.3**

The $(32.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 0.3	$ 0.3
Operating grants and contributions	10.9	11.8
General revenues:		
Federal and State aid not restricted	36.2	30.4
Property taxes	7.6	5.8
Other general revenues	0.9	0.9
Total Revenues	55.9	49.2
Expenses		
Instruction-related	37.7	34.7
Student support services	7.2	6.9
Administration	3.4	3.4
Plant services	4.0	3.6
Other	4.0	2.8
Total Expenses	56.3	51.4
Change in Net Position	**$ (0.4)**	**$ (2.2)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $56.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $7.6 million because the cost was paid by those who benefited from the programs ($0.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($10.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $36.2 million in Federal and State funds and with $0.9 million other revenues like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, instruction related programs, pupil services, general administration, plant services, and other services. 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

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 30.1	$ 27.7	$ 24.7	$ 21.6
Instruction related	7.6	7.0	6.5	6.1
Pupil services	7.2	6.9	3.7	3.0
General administration	3.4	3.4	3.2	3.1
Plant services	4.0	3.6	3.8	3.4
Other	4.0	2.8	3.3	2.1
Total	**$ 56.3**	**$ 51.4**	**$ 45.2**	**$ 39.3**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $37.5 million, which is an increase of $21.3 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances	
	June 30, 2015	June 30, 2014
General [1]	$ 9.6	$ 9.7
Adult Education	0.2	0.2
Cafeteria	0.6	0.6
Deferred Maintenance	-	0.2
Building	26.1	5.0
Capital Facilities	-	0.1
Bond Interest and Redemption	1.0	0.4
Total	**$ 37.5**	**$ 16.2**

[1] Fund 17, Special Reserve Non-Capital and Fund 20, Special Reserve Postemployment Benefits Fund were consolidated with the General Fund for reporting purposes due to implementation of GASB 54.

The primary reason for the increase in the Building Fund is due to a bond issuance of $22 million in the 2014-2015 fiscal year. The remaining funds remained consistent with prior year ending balances.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2015. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $45.9 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $0.6 million from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2015	2014
Land and construction in progress	$ 9.5	$ 8.6
Buildings and improvements	35.9	36.3
Equipment	0.5	0.4
Total	**$ 45.9**	**$ 45.3**

We present more detailed information about our capital assets in Notes to Financial Statements.

Long-Term Obligations Other Than Pensions

At the end of this year, the District had $43.6 million in long term obligations other than pensions versus $21.0 million last year, an increase of $22.6 million which was due to the issuance of general obligation bonds during the current year. Those obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2015	2014
General obligation bonds (financed with property taxes)	$ 33.4	$ 11.4
Certificates of participation	4.3	4.3
Capital leases	0.2	0.3
OPEB obligation	5.7	5.0
Total	**$ 43.6**	**$ 21.0**

The District's general obligation bond Moody's rating at the time of their last issuance was "Aaa". In addition, the District's certificates of participation S&P rating at the time of their last issuance was "AAA".

Pension Obligations

In addition to the long-term obligations noted above, the District implemented GASB Statements No. 68 during the current fiscal year. The beginning net position of the District was restated by $(35.2) million and the ending balances of Deferred Outflows (an asset account) of $2.9 million, Aggregate Net Pension Liability (a liability account) of $29.8 million and Deferred Inflows (a liability account) of $8.0 million were all related to the implementation. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

FINANCIAL ISSUES

Implementation of the Local Control Funding Formula (LCFF)

Fiscal year 2014-15 was the 2nd year of implementation of the Local Control Funding Formula (LCFF) for K-12 Education Funding. Under LCFF funding system, Districts receives funding based on the demographic profile of the students they serve and will gain greater flexibility to use these funds to improve outcomes of students.

LCFF is composed of a Base Grant, Grade Span Adjustments, Supplemental and Concentration Grants and Add-On Funding. The Supplemental Grant and Concentration Grants are based upon the District's unduplicated pupil count which includes English Learners, Free or Reduced-Price Meal eligible students, and foster youth. The District had an unduplicated pupil count of 4,594 constituting 92.98% of the enrollment eligible for the supplemental add-on.

Under the LCFF only a percentage of the GAP will be funded each year with full funding anticipated by 2020-21. In this 2014-15, Districts received 30.16% GAP funding this represented $5,394,776 in GAP funding. As a result the district's total LCFF Funding for 2014-15 was $38,726,446 based on the P2 CDE certification.

The District increased its revenues in 2014-15 by just over 15.3% from the prior year, as a result of the implementation of LCFF, expenditures increased exponentially at 12.2% as well.

Over all the fiscal year 2014-15 was a year were school districts across California have seen an increase in per-student funding. The move to a new funding model (Local Control Funding Formula) has proven to give us brighter budget.

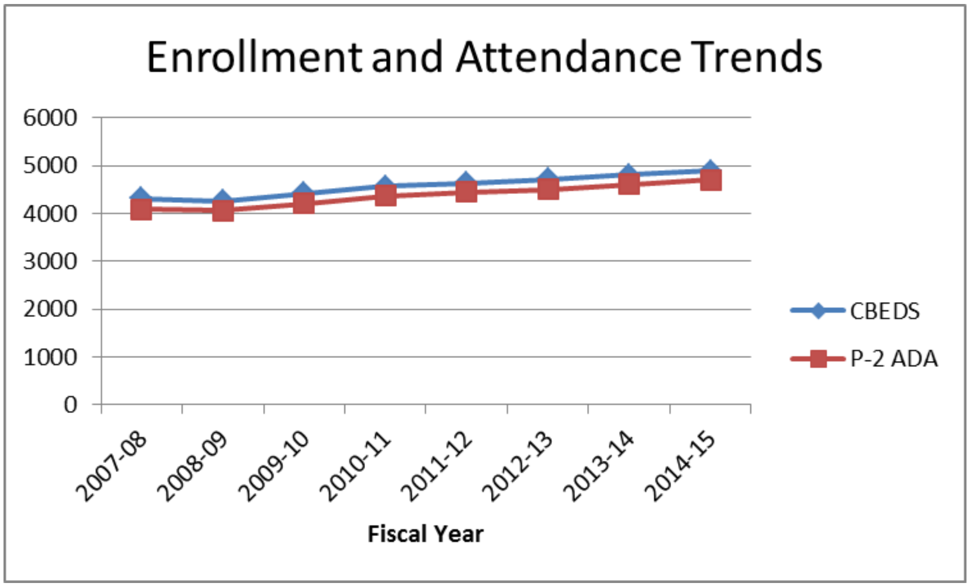
The targeted base grant and additional grant amounts per ADA for 2014-2015 were as follows:

	Base Grant	Grade Span Adj.	Suppl. Grant	Concentr. Grant	Total
Grades K-3	$7,011	$729	$1,438	$1,467	$10,646
Grades 4-6	$7,116	$ 0	$1,322	$1,349	$9,787
Grades 7-8	$7,328	$ 0	$1,361	$1,389	$10,078
Grades 9-12	$8,491	$221	$1,619	$1,651	$11,982

Until the LCFF is fully funded, Soledad Unified School District will receive a "Transition Entitlement". This transition entitlement is based on the district's 2014-2015 funding level, adjusted for change in student population, and a certain amount of funding the towards the LCFF at full implementation.

ENROLLMENT AND AVERAGE DAILY ATTENDANCE

The District's enrollment and average daily attendance (ADA) has been experiencing a steady increase over the past ten years. Enrollment is projected to further increase of 1.5% in 2015-2016 again which will add to the financial stability of the District.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

1. With the Implementation of the new Local Control Funding Formula (LCFF) the District is projecting an increase in the LCFF income in 2015-2016 of about 22% percent over prior year. In addition one-time funds of $530 per ADA have been awarded to LEAs for 2015-16.
2. The multi-year projections are based on School Service of California financial indicators and State Department of Finance economic projections.
3. Federal revenue will continue at a flat rate.
4. Enrollment is projected to increase at a 1.5 percent rate.

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 Cesar Vega, Chief Business Official at (831) 678-3950, ext. 131.

SOLEDAD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 39,047,936
Receivables	3,475,247
Nondepreciable capital assets	9,481,122
Capital assets being depreciated	74,887,896
Accumulated depreciation	(38,440,815)
Total Assets	88,451,386
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	2,930,297
Total Deferred Outflows of Resources	2,930,297
LIABILITIES	
Overdrafts	93,939
Accounts payable	4,852,035
Unearned revenue	41,084
Current portion of long-term obligations other than pensions	1,546,223
Noncurrent portion of long-term obligations other than pensions	42,087,448
Aggregate net pension liability	29,830,346
Total Liabilities	78,451,075
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	8,017,766
Total Deferred Inflows of Resources	8,017,766
NET POSITION	
Net investment in capital assets	34,181,851
Restricted for:	
Debt service	1,057,096
Capital projects	2,865
Educational programs	1,405,740
Other activities	551,286
Unrestricted	(32,285,996)
Total Net Position	$ 4,912,842

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

SOLEDAD 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	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 30,125,513	$ 131,135	$ 5,309,453	$ (24,684,925)
Instruction-related activities:				
Supervision of instruction	1,825,968	-	1,054,455	(771,513)
Instructional library, media, and technology	1,569,464	5,831	3,503	(1,560,130)
School site administration	4,213,473	3,998	78,456	(4,131,019)
Pupil services:				
Home-to-school transportation	1,332,293	-	31,552	(1,300,741)
Food services	2,961,070	105,033	2,572,957	(283,080)
All other pupil services	2,869,907	-	728,132	(2,141,775)
Administration:				
Data processing	56,708	-	-	(56,708)
All other administration	3,392,084	14,690	247,122	(3,130,272)
Plant services	3,978,089	3,984	105,388	(3,868,717)
Ancillary services	297,263	-	2,215	(295,048)
Interest on long-term obligations	1,381,104	-	-	(1,381,104)
Other outgo	2,372,281	-	740,179	(1,632,102)
Total Governmental Activities	$ 56,375,217	$ 264,671	$ 10,873,412	(45,237,134)
	General revenues and subventions:			
	Property taxes, levied for general purposes			5,318,129
	Property taxes, levied for debt service			2,218,659
	Taxes levied for other specific purposes			78,424
	Federal and State aid not restricted to specific purposes			36,249,709
	Interest and investment earnings			113,374
	Interagency revenues			99,124
	Miscellaneous			711,395
	Subtotal, General Revenues			44,788,814
	Change in Net Position			(448,320)
	Net Position - Beginning, as restated			5,361,162
	Net Position - Ending			$ 4,912,842

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 11,693,727	$ 26,288,837	$ 1,065,372
Receivables	2,578,531	-	896,716
Due from other funds	46,709	77,077	202,400
Total Assets	$ 14,318,967	$ 26,365,914	$ 2,164,488
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 93,939
Accounts payable	4,475,891	257,929	118,215
Due to other funds	240,938	-	85,248
Unearned revenue	29,445	-	11,639
Total Liabilities	4,746,274	257,929	309,041
Fund Balances:			
Nonspendable	1,500	-	-
Restricted	1,396,295	26,107,985	1,620,692
Committed	-	-	234,755
Assigned	1,734,734	-	-
Unassigned	6,440,164	-	-
Total Fund Balances	9,572,693	26,107,985	1,855,447
Total Liabilities and Fund Balances	$ 14,318,967	$ 26,365,914	$ 2,164,488

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

Total Governmental Funds
$ 39,047,936
3,475,247
326,186
$ 42,849,369
$ 93,939
4,852,035
326,186
41,084
5,313,244
1,500
29,124,972
234,755
1,734,734
6,440,164
37,536,125
$ 42,849,369

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

Total Fund Balance - Governmental Funds		**$ 37,536,125**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 84,369,018	
Accumulated depreciation is	(38,440,815)	
Net Capital Assets		45,928,203
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,930,297
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(8,017,766)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	33,336,312	
Certificates of participation	4,343,692	
Compensated absences	34,063	
Capital leases payable	174,333	
Other postemployment benefits	5,745,271	
Net pension liability	29,830,346	
Total Long-Term Obligations		(73,464,017)
Total Net Position - Governmental Activities		**$ 4,912,842**

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

SOLEDAD UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 39,196,473	$ -
Federal sources	3,003,118	-
Other State sources	3,982,242	-
Other local sources	4,244,725	69,955
Total Revenues	50,426,558	69,955
EXPENDITURES		
Current		
Instruction	28,059,198	-
Instruction-related activities:		
Supervision of instruction	1,595,154	-
Instructional library, media and technology	1,566,099	-
School site administration	4,109,085	-
Pupil services:		
Home-to-school transportation	792,476	-
Food services	67,198	-
All other pupil services	2,823,966	-
Administration:		
Data processing	12,300	-
All other administration	3,230,149	-
Plant services	3,594,469	-
Facility acquisition and construction	1,383,409	931,624
Ancillary services	297,928	-
Other outgo	2,372,281	-
Debt service		
Principal	4,362,118	-
Interest and other	411,570	-
Total Expenditures	54,677,400	931,624
Excess (Deficiency) of Revenues Over Expenditures	(4,250,842)	(861,669)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources	4,343,692	22,000,000
Transfers out	(200,000)	-
Net Financing Sources (Uses)	4,143,692	22,000,000
NET CHANGE IN FUND BALANCES	(107,150)	21,138,331
Fund Balance - Beginning	9,679,843	4,969,654
Fund Balance - Ending	$ 9,572,693	$ 26,107,985

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 39,196,473
2,584,274	5,587,392
849,357	4,831,599
2,553,156	6,867,836
5,986,787	56,483,300
722,783	28,781,981
216,950	1,812,104
-	1,566,099
24,637	4,133,722
-	792,476
2,682,156	2,749,354
-	2,823,966
-	12,300
23,507	3,253,656
122,928	3,717,397
327,572	2,642,605
-	297,928
-	2,372,281
1,117,526	5,479,644
640,802	1,052,372
5,878,861	61,487,885
107,926	(5,004,585)
200,000	200,000
-	26,343,692
-	(200,000)
200,000	26,343,692
307,926	21,339,107
1,547,521	16,197,018
$ 1,855,447	$ 37,536,125

SOLEDAD 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		**$ 21,339,107**
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 exceeds depreciation in the period.		
Capital outlays	$ 2,699,656	
Depreciation expenses	(2,220,379)	
Net Expense Adjustment		479,277
In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $8,436.		8,436
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		330,895
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(707,237)
Proceeds received from the sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(22,000,000)
Premiums received on the issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and is amortized over the life of the debt. Premiums were recognized during the year in the amount of $720,662 and premiums amortization during the year was $15,346. This is the net adjustment.		(705,316)
Proceeds received from the sale of certificates of participation is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Positionand does not affect the Statement of Activities.		(4,343,692)

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

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

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	$ 1,085,000
Certificates of participation	4,315,000
Capital lease obligations	94,976
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.	(344,766)
Change in Net Position of Governmental Activities	**$ (448,320)**

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

SOLEDAD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

		Agency Funds
ASSETS		
Deposits and investments	$	186,209
Receivables, local sources		48,187
Total Assets	$	234,396
LIABILITIES		
Due to student groups	$	234,396
Total Liabilities	$	234,396

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Soledad Unified School District (the District) was established in 1908 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 K - 12 as mandated by the State and/or Federal agencies. The District operates five elementary schools, one middle school, one high school, and a community education center, providing instruction from kindergarten through grade twelve, and special preschool and community education programs.

A reporting entity is comprised of the primary government 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 Soledad Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, and Fund 20, Special Reserve Postemployment Benefits Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $234,734, $234,734, and $1,344, respectively.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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.

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

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

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

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 agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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.

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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 the county pool are determined by the program sponsor.

Capital Assets and Depreciation

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

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

Accounts Payable and Long-Term Obligations

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

Debt Premiums

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the chief business officer may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $3,016,987 of restricted net position.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2012, the 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 inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $35,248,710. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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	$ 39,047,936
Less overdrafts	93,939
Net governmental activities	38,953,997
Fiduciary funds	186,209
Total Deposits and Investments	$ 39,140,206

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

Cash on hand and in banks	$ 186,209
Cash in revolving	1,500
Investments with fiscal agent	7,516
Pooled investments	38,944,981
Total Deposits and Investments	$ 39,140,206

The Adult Education Fund, Child Development Fund, Cafeteria Fund, and Capital Facilities Fund ended the year with deficit cash in County Treasury balances of $29,696, $7,762, $53,601, and $2,880, respectively.

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 Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Fund	$ 7,516	$ 7,516	$ -	$ -	$ -
County Pool	38,943,812	-	38,943,812	-	-
Total	$ 38,951,328	$ 7,516	$ 38,943,812	$ -	$ -

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. The District's investments in the County Pool are not required to be rated, nor have they been rated as of June 30, 2015.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End AAAm	Aa	Unrated
Mutual Fund	$ 7,516	N/A	$ 7,516	$ -	$ -

N/A - Not applicable

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Agency Fund
Federal Government				
Categorical aid	$ 880,706	$ 704,072	$ 1,584,778	$ -
State Government				
Other state	524,570	87,486	612,056	-
Local sources	1,173,255	105,158	1,278,413	48,187
Total	$ 2,578,531	$ 896,716	$ 3,475,247	$ 48,187

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Balance June 30, 2015
Governmental Activities			
Capital Assets not being depreciated			
Construction in progress	$ 358,638	$ 898,013	$ 1,256,651
Land	8,224,471	-	8,224,471
Total Capital Assets Not Being Depreciated	8,583,109	898,013	9,481,122
Capital Assets being depreciated			
Land improvements	12,164,818	44,657	12,209,475
Buildings and improvements	58,928,415	1,686,357	60,614,772
Furniture and equipment	1,993,020	70,629	2,063,649
Total Capital Assets Being Depreciated	73,086,253	1,801,643	74,887,896
Less Accumulated Depreciation			
Land improvements	9,670,656	425,293	10,095,949
Buildings and improvements	25,094,054	1,705,852	26,799,906
Furniture and equipment	1,455,726	89,234	1,544,960
Total Accumulated Depreciation	36,220,436	2,220,379	38,440,815
Governmental Activities Capital Assets, Net	$ 45,448,926	$ 479,277	$ 45,928,203

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 999,171
School site administration	66,611
Home-to-school transportation	532,891
Food services	177,630
All other general administration	111,019
Data processing	44,408
Plant services	288,649
Total Depreciation Expenses, Governmental Activities	$ 2,220,379

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ 46,709	$ 240,938
Building	77,077	-
Total Major Governmental Funds	123,786	240,938
Non-Major Governmental Funds		
Adult Education	200,000	4,222
Child Development	2,400	42,369
Cafeteria	-	38,657
Total Non-Major Governmental Funds	202,400	85,248
Total All Governmental Funds	$ 326,186	$ 326,186

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015, consist of the following:

The General Fund transferred to the Adult Education Fund state general apportionments for operational costs.	$ 200,000

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 1,218,369	$ 257,929	$ 118,215	$ 1,594,513
State principal apportionment	932,950	-	-	932,950
Salaries and benefits	2,324,572	-	-	2,324,572
Total	$ 4,475,891	$ 257,929	$ 118,215	$ 4,852,035

NOTE 7 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Local sources	$ 29,445	$ 11,639	$ 41,084

NOTE 8 - LONG-TERM OBLIGATIONS OTHER THAN PENSIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds-1997	$ 5,096,825	$ 302,124	$ 850,000	$ 4,548,949	$ 870,000
General obligation bonds-1999	921,449	42,642	115,000	849,091	115,000
2012 General obligation bonds, series A	5,000,000	-	120,000	4,880,000	130,000
2012 General obligation bonds, series A premium	352,956	-	15,346	337,610	15,346
2012 General obligation bonds, series B	-	22,000,000	-	22,000,000	45,000
2012 General obligation bonds, series B premium	-	720,662	-	720,662	24,022
Certificates of participation	4,315,000	4,343,692	4,315,000	4,343,692	279,516
Compensated absences	42,499	-	8,436	34,063	-
Capital leases	269,309	-	94,976	174,333	67,339
Other postemployment benefits	5,038,034	1,246,670	539,433	5,745,271	-
Total	$ 21,036,072	$ 28,655,790	$ 6,058,191	$ 43,633,671	$ 1,546,223

The general obligation bonds will be paid by the Bond Interest and Redemption Fund utilizing local property tax revenue. The certificates of participation and the capital leases are paid by the General Fund and the Capital Facilities Fund. The compensated absences and other postemployment benefits obligations are funded by the fund that the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2014	Interest Accreted/ Debt Issued	Redeemed	Bonds Outstanding June 30, 2015
1/9/1997	6/1/2021	4.15-5.88	$ 9,000,000	$ 5,096,825	$ 302,124	$ 850,000	$ 4,548,949
8/28/1999	8/1/2023	4.00-5.25	1,500,000	921,449	42,642	115,000	849,091
5/21/2013	8/1/1937	3.00-8.00	5,000,000	5,000,000	-	120,000	4,880,000
7/30/2014	8/1/1944	3.00-5.00	22,000,000	-	22,000,000	-	22,000,000
Total				$ 11,018,274	$ 22,344,766	$1,085,000	$ 32,278,040

Debt Service Requirements to Maturity

1995, Series 1997

The bonds mature through 2021 as follows:

Fiscal Year	Final Maturity	Accreted Obligation	Unaccreted Interest
2016	$ 870,000	$ 821,391	$ 48,609
2017	895,000	797,807	97,193
2018	915,000	770,079	144,921
2019	940,000	745,486	194,514
2020	960,000	718,502	241,498
2021	985,000	695,684	289,316
Total	$ 5,565,000	$ 4,548,949	$ 1,016,051

1995, Series B (1999)

The bonds mature through 2024 as follows:

Fiscal Year	Final Maturity	Accreted Obligation	Unaccreted Interest
2016	$ 115,000	$ 115,000	$ -
2017	115,000	109,250	5,750
2018	115,000	103,776	11,224
2019	115,000	98,578	16,422
2020	115,000	93,472	21,528
2021-2024	460,000	329,015	130,985
Total	$ 1,035,000	$ 849,091	$ 185,909

2012, Series A (2013)

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 130,000	$ 215,084	$ 345,084
2017	135,000	205,399	340,399
2018	140,000	194,767	334,767
2019	150,000	184,758	334,758
2020	155,000	173,807	328,807
2021-2025	880,000	741,775	1,621,775
2026-2030	1,090,000	551,635	1,641,635
2031-2035	1,300,000	336,300	1,636,300
2036-2038	900,000	72,800	972,800
Total	$ 4,880,000	$ 2,676,325	$ 7,556,325

2012, Series B (2013)

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 45,000	$ 861,940	$ 906,940
2017	60,000	890,313	950,313
2018	85,000	889,113	974,113
2019	115,000	887,413	1,002,413
2020	145,000	881,663	1,026,663
2021-2025	1,240,000	4,266,815	5,506,815
2026-2030	2,335,000	3,882,465	6,217,465
2031-2035	3,815,000	3,405,199	7,220,199
2036-2040	5,780,000	2,471,200	8,251,200
2041-2045	8,380,000	1,053,000	9,433,000
Total	$ 22,000,000	$ 19,489,121	$ 41,489,121

Certificates of Participation

On May 1, 2005, the District issued Certificates of Participation in the amount of $5,765,000, to provide funds for the purpose of paying for the acquisition and construction of the high school with support and office facilities. As of June 30, 2015, the principal balance outstanding was $4,343,692.

The certificates mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 279,516	$ 102,113	$ 381,629
2017	252,619	125,990	378,609
2018	262,262	118,158	380,420
2019	271,802	110,028	381,830
2020	280,951	101,602	382,553
2021-2025	1,555,920	371,560	1,927,480
2026-2030	1,440,622	113,360	1,553,982
Total	$ 4,343,692	$ 1,042,811	$ 5,386,503

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2015, amounted to $34,063.

Capital Leases

The District has entered into agreements to lease relocatable classrooms, facilities and an office. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Municipal	City National	Total
Balance, July 1, 2014	$ 30,663	$ 238,646	$ 269,309
Payments	30,663	64,313	94,976
Balance, June 30, 2015	$ -	$ 174,333	$ 174,333

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 74,672
2017	74,672
2018	37,336
Total	186,680
Less: Amount Representing Interest	12,347
Present Value of Minimum Lease Payments	$ 174,333

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $1,007,363, and contributions made by the District during the year were $326,768. Interest on the net OPEB obligation and adjustments to the annual required contribution were $239,307 and $(212,665), respectively, which resulted in an increase to the net OPEB obligation of $707,237. As of June 30, 2015, the net OPEB obligation was $5,745,271. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 1,500	$ -	$ -	$ 1,500
Total Nonspendable	1,500	-	-	1,500
Restricted				
Legally restricted programs	1,396,295	-	560,731	1,957,026
Capital projects	-	26,107,985	2,865	26,110,850
Debt service	-	-	1,057,096	1,057,096
Total Restricted	1,396,295	26,107,985	1,620,692	29,124,972
Committed				
Adult education program	-	-	233,995	233,995
Deferred maintenance program	-	-	760	760
Total Committed	-	-	234,755	234,755
Assigned				
Postemployment benefits	158,237			158,237
New building at Soledad High School	1,000,000	-	-	1,000,000
Textbooks	500,000	-	-	500,000
Other assignments	76,497	-	-	76,497
Total Assigned	1,734,734	-	-	1,734,734
Unassigned				
Reserve for economic uncertainties	4,950,274	-	-	4,950,274
Remaining unassigned	1,489,890	-	-	1,489,890
Total Unassigned	6,440,164	-	-	6,440,164
Total	$ 9,572,693	$ 26,107,985	$ 1,855,447	$ 37,536,125

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund exceeded the budgeted amounts as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General			
Certificated salaries	$ 6,352,064	$ 6,500,025	$ 147,961
Other outgo	$ 2,002,836	$ 2,348,774	$ 345,938
Debt service - principal [1]	$ 294,635	$ 4,362,118	$ 4,067,483
Debt service - interest	$ 220,761	$ 411,570	$ 190,809

[1] The excess was related to the recording of the sources and principal payments for the Certificates of Participation on the audited financial statements.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Soledad Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 67 retirees and beneficiaries currently receiving benefits and approximately 367 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Soledad Teachers Association (STA), the local Classified School Employees Association (CSEA), Soledad Clerical Employees Association, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed $326,768 to the plan, all of which was used for current premiums (approximately 49 percent of total premiums). Plan members receiving benefits contributed $336,103, or approximately 51 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual 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 normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,007,363
Interest on net OPEB obligation	239,307
Adjustment to annual required contribution	(212,665)
Annual OPEB cost (expense)	1,034,005
Contributions made	(326,768)
Increase in net OPEB obligation	707,237
Net OPEB obligation, beginning of year	5,038,034
Net OPEB obligation, end of year	$ 5,745,271

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 1,034,005	$ 326,768	31.60%	$ 5,745,271
2014	1,031,467	551,639	53.48%	5,038,034
2013	1,389,654	211,058	15.19%	4,558,206

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2014	$ -	$ 12,078,606	$ 12,078,606	0%	$ 28,605,962	42.22%

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

Actuarial Methods and Assumptions

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

In the January 1, 2014, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were four percent. The cost trend rate used for the Dental and Vision programs was also four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 29 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

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

Workers' Compensation

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

Employee Medical Benefits

The District has contracted with CalPERS to provide health and welfare coverage to the District's administrative classified and certificated employees. Premiums are paid to CalPERS for coverage. Additionally, the District is a member of California Valued Trust (CVT) for its CSEA classified members for Health and Welfare coverage. The District has also contracted with the Alameda County Schools Insurance Group (ACSIA) to provide employee dental and vision coverage. ACSIA and CVT are shared risk pools. Rates are set through an annual calculation process. The District pays a monthly contribution, 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 have the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 22,927,317	$ 1,694,681	$ 5,645,808	$ 1,979,368
CalPERS	6,903,029	1,235,616	2,371,958	613,538
Total	$ 29,830,346	$ 2,930,297	$ 8,017,766	$ 2,592,906

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $1,694,681.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 22,927,317
State's proportionate share of the net pension liability associated with the District	13,844,504
Total	$ 36,771,821

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0392 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,979,368. In addition, the District recognized revenue and pension expense of $1,195,228 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
Pension contributions subsequent to measurement date	$ 1,694,681	$ -
Difference between projected and actual earnings on pension plan investments	-	5,645,808
Total	$ 1,694,681	$ 5,645,808

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,411,452
2017	1,411,452
2018	1,411,452
2019	1,411,452
Total	$ 5,645,808

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 35,737,690
Current discount rate (7.60%)	$ 22,927,317
1% increase (8.60%)	$ 12,245,793

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,235,616.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $6,903,029. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0608 percent.

For the year ended June 30, 2015, the District recognized pension expense of $613,538. 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
Pension contributions subsequent to measurement date	$ 1,235,616	$ -
Difference between projected and actual earnings on pension plan investments	-	2,371,958
Total	$ 1,235,616	$ 2,371,958

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 592,990
2017	592,990
2018	592,989
2019	592,989
Total	$ 2,371,958

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 12,109,488
Current discount rate (7.50%)	$ 6,903,029
1% increase (8.50%)	$ 2,552,507

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.0 percent of an employee's gross earnings. An employee is required to contribute 6.0 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,030,968 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - 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 not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Main Street Middle School	$ 2,637,621	4/30/16
Main Street Middle School	1,025,350	8/31/17
High school science building	322,703	8/31/16
High school portables	26,331	5/1/16
Total	$ 4,012,005	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Monterey Educational Risk Management Authority (MERMA) and the Monterey and San Benito Property and Liability JPA (MSBCLPSA) public entity risk pools. The District pays annual premiums to each entity for its workers' compensation and property liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one member to the governing board of MERMA.

During the year ended June 30, 2015, the District made payment of $1,214,316 to MERMA for workers' compensation coverage.

The District has appointed one member to the governing board of MSBPLSA.

During the year ended June 30, 2015, the District made payment of $243,486 to MSBCLPSA for property and liability insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* in the current year. The beginning net position was adjusted due revaluation of capital assets in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 40,495,395
Restatement - GASB Statement No. 68, Net Pension Liability	(35,248,710)
Restatement - Bond Interest and Redemption Fund County restatement	830
Restatement - Capital assets valuation adjustment	113,647
Net Position - Beginning as Restated	$ 5,361,162

REQUIRED SUPPLEMENTARY INFORMATION

SOLEDAD UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 37,595,449	$ 38,590,772	$ 39,196,473	$ 605,701
Federal sources	2,344,810	3,558,874	3,003,118	(555,756)
Other State sources	1,972,823	2,682,306	2,951,274	268,968
Other local sources	4,011,321	3,094,457	4,244,725	1,150,268
Total Revenues [1]	45,924,403	47,926,409	49,395,590	1,469,181
EXPENDITURES				
Current				
Certificated salaries	19,831,208	19,102,219	18,993,113	109,106
Classified salaries	6,145,468	6,352,064	6,500,025	(147,961)
Employee benefits	8,741,460	10,190,674	9,909,247	281,427
Books and supplies	4,215,943	4,739,824	3,810,600	929,224
Services and operating expenditures	5,366,417	6,308,104	5,834,892	473,212
Other outgo	2,205,623	2,002,836	2,348,774	(345,938)
Capital outlay	955,500	1,562,380	1,476,093	86,287
Debt service - principal	386,535	294,635	4,362,118	(4,067,483)
Debt service - interest	128,861	220,761	411,570	(190,809)
Total Expenditures [1]	47,977,015	50,773,497	53,646,432	(2,872,935)
Excess (Deficiency) of Revenues Over Expenditures	(2,052,612)	(2,847,088)	(4,250,842)	(1,403,754)
Other Financing Sources (Uses)				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net Financing Sources (Uses)	(200,000)	(200,000)	4,143,692	4,343,692
NET CHANGE IN FUND BALANCES	(2,252,612)	(3,047,088)	(107,150)	2,939,938
Fund Balance - Beginning	9,679,843	9,679,843	9,679,843	-
Fund Balance - Ending	$ 7,427,231	$ 6,632,755	$ 9,572,693	$ 2,939,938

[1] On behalf payments are not included in the actual or budgeted revenues and expenditures. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund, and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

SOLEDAD UNIFIED SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2014	$ -	$ 12,078,606	$ 12,078,606	0%	$ 28,605,962	42.22%
February 1, 2010	$ -	$ 17,465,058	$ 17,465,058	0%	$ 21,049,348	82.97%
November 7, 2008	$ -	$ 14,777,976	$ 14,777,976	0%	$ 21,049,348	70.21%

SOLEDAD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability (asset)	0.0392%
District's proportionate share of the net pension liability (asset)	$ 22,927,317
State's proportionate share of the net pension liability (asset) associated with the District	13,844,504
Total	$ 9,082,813
District's covered - employee payroll	$ 17,693,297
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	129.58%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.0608%
District's proportionate share of the net pension liability (asset)	$ 6,903,029
District's covered - employee payroll	$ 10,347,736
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	66.71%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

SOLEDAD UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 1,694,681
Contributions in relation to the contractually required contribution	1,694,681
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 19,084,245
Contributions as a percentage of covered - employee payroll	8.880%
CalPERS	
Contractually required contribution	$ 1,235,616
Contributions in relation to the contractually required contribution	1,235,616
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 10,497,120
Contributions as a percentage of covered - employee payroll	11.771%

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

SUPPLEMENTARY INFORMATION

SOLEDAD 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			
Title I - Part A, Basic	84.010	14329	$ 1,119,420
Title I - Part C, Migrant, Regular	84.011	14326	163,084
Title I - Part C, Migrant, Summer	84.011	10005	23,173
Title II - Part A, Teacher Quality	84.367	14341	144,783
Title III - LEP	84.365	14346	149,235
Title III - Immigrant Education Program	84.365	15146	8,502
Adult Basic Education and ESL	84.002A	14508	10,007
English Literacy and Civics Education	84.002A	14109	1,135
Adult Secondary Education	84.002	13978	9,310
IDEA, Part B, Section 611, Basic	84.027	13379	823,422
Technology Secondary II C, Section 611	84.048	14894	41,389
Total U.S. Department of Education			2,493,460
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
CCDF Matching-General Child Development Program	93.596	13609	5,759
Medi-Cal Billing Option	93.778	10013	418,580
Medical Administration Activities	93.778	10060	40,881
Adult Education, South County Collaberation	93.569	[2]	115,969
Total Department of Health and Human Services			581,189
U.S. DEPARTMENT OF DEFENSE			
Navy Junior Reserve Officers' Training Corps	[1]	[2]	70,649

[1] Catalog number not available
[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SOLEDAD UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
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 AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	$ 616,373
National School Lunch	10.555	13391	1,755,092
Meals Supplements - Snack	10.555	13391	59,265
Seamless Summer	10.559	13004	11,364
Food Distribution	10.555	13391	38,872
Subtotal Child Nutrition Cluster			2,480,966
Total U.S. Department of Agriculture			2,480,966
Total Expenditures of Federal Awards			$ 5,626,264

[1] Catalog number not available
[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Soledad Unified School District was unified on July 1, 1999, and consists of an area comprising approximately 100 square miles. The District operates five elementary schools, one middle school, one high school, and a community education center, providing instruction from kindergarten through grade twelve, and special preschool and community education programs. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mrs. Marie Berlanga	President	November 2015
Mrs. Gloria Ledesma	Vice-President	November 2015
Mrs. Jodi Massa	Clerk	November 2017
Mr. Fabian M. Barrera	Board Member	November 2017
Mr. Jaime Fernandez	Board Member	November 2015

ADMINISTRATION

Dr. Rupi K. Boyd	District Superintendent and Secretary to the Board
Jorge Z. Guzmán	Associate Superintendent of Educational Services
Lisa Kleinhofer	Associate Superintendent of Human Resources
Jeanette Ayala	Chief Business Officer
Letty Diaz	Director of Human Resources
Denise Estrella	Director of Special Projects
Joe Ayala	Director Technology
Robert Kennedy	Director of Maintenance, Transportation & Facilities
Fernando Nieto	Construction Project Manager
Dianne Witwer	Principal (Frank Ledesma Elementary School)
Ellen Brusa	Principal (Gabilan Elementary School)
Laura Cortez	Principal (Jack Franscioni Elementary School)
Cresta McIntosh	Principal (Rose Ferrero Elementary School)
Kristine Vasquez	Interim Principal (San Vicente Elementary School)
Dr. Amelia Jimenez	Principal (Main Street Middle School)
Jessie Swift	Assistant Principal (Main Street Middle School)
Elizabeth Austin	Principal (Soledad High School)
Jaime Calderon	Assistant Principal (Soledad High School)
Nathan Walker	Assistant Principal (Soledad High School)
Jeffrey Lopez	Director/Principal (Community Education Center)

See accompanying note to supplementary information.

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

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,491.34	1,491.99
Fourth through sixth	1,086.45	1,086.13
Seventh and eighth	730.48	730.03
Ninth through twelfth	1,386.43	1,371.57
Total Regular ADA	4,694.70	4,679.72
Extended Year Special Education		
Seventh and eighth	0.59	0.59
Ninth through twelfth	0.45	0.45
Total Extended Year Special Education	1.04	1.04
Total ADA	4,695.74	4,680.76

See accompanying note to supplementary information.

SOLEDAD UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-1987 Minutes Requirement	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	59,780	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			55,190	180	N/A	Complied
Grade 2			55,190	180	N/A	Complied
Grade 3			55,190	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			56,410	180	N/A	Complied
Grade 5			56,410	180	N/A	Complied
Grade 6			56,960	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			62,596	180	N/A	Complied
Grade 8			62,596	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,464	180	N/A	Complied
Grade 10			65,464	180	N/A	Complied
Grade 11			65,464	180	N/A	Complied
Grade 12			65,464	180	N/A	Complied

See accompanying note to supplementary information.

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

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SOLEDAD UNIFIED SCHOOL DISTRICT

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

	(Budget) 2016 [1, 4]	2015 [4]	2014 [4, 5]	2013 [4]
GENERAL FUND				
Revenues	$ 55,635,536	$ 49,394,245	$ 43,109,034	$ 39,420,822
Other sources and transfers in	-	-	-	613,484
Total Revenues [3]	55,635,536	49,394,245	43,109,034	40,034,306
Expenditures	53,710,247	49,302,740	43,420,301	39,945,438
Other uses and transfers out	1,092,461	200,000	180,588	-
Total Expenditures and Other Uses [3]	54,802,708	49,502,740	43,600,889	39,945,438
INCREASE/(DECREASE) IN FUND BALANCE	$ 832,828	$ (108,495)	$ (491,855)	$ 88,868
ENDING FUND BALANCE	$ 10,170,787	$ 9,337,959	$ 9,446,454	$ 9,938,309
AVAILABLE RESERVES [2]	$ 9,110,786	$ 6,440,164	$ 4,479,849	$ 8,005,514
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	16.6%	13.0%	10.3%	20.0%
LONG-TERM OBLIGATIONS	Not Available	$ 73,464,017	$ 58,456,836	$ 21,427,207
AVERAGE DAILY ATTENDANCE AT P-2 [3]	4,696	4,696	4,606	4,494

The General Fund balance has decreased by $600,350 over the past two years. The fiscal year 2015-2016 budget projects a decrease of $832,828 (8.92 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $52,036,810 over the past two years due primarily to the recognition of a net pension liability of $29,830,346 as required by the implementation of GASB Statement No. 68 and due to the $22,000,000 bond sale during the current fiscal year.

Average daily attendance has increased by 202 over the past two years. No change in ADA is anticipated during fiscal year 2015-2016.

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[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments have been excluded from revenues and expenditures in this schedule.
[4] General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund and the Special Reserve Fund for Retiree Benefits as required by GASB Statement No. 54.
[5] The long-term obligations were restated for 2014 due to the implementation of GASB Statement No. 68.

See accompanying note to supplementary information.

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ -	$ -	$ -
Receivables	81,952	69,425	745,339
Due from other funds	200,000	2,400	-
Total Assets	$ 281,952	$ 71,825	$ 745,339
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 29,696	$ 7,762	$ 53,601
Accounts payable	14,039	610	101,795
Due to other funds	4,222	42,369	38,657
Unearned revenue	-	11,639	-
Total Liabilities	47,957	62,380	194,053
Fund Balances:			
Restricted	-	9,445	551,286
Committed	233,995	-	-
Total Fund Balances	233,995	9,445	551,286
Total Liabilities and Fund Balances	$ 281,952	$ 71,825	$ 745,339

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 760	$ 7,516	$ 1,057,096	$ 1,065,372
-	-	-	896,716
-	-	-	202,400
$ 760	$ 7,516	$ 1,057,096	$ 2,164,488
$ -	$ 2,880	$ -	$ 93,939
-	1,771	-	118,215
-	-	-	85,248
-	-	-	11,639
-	4,651	-	309,041
-	2,865	1,057,096	1,620,692
760	-	-	234,755
760	2,865	1,057,096	1,855,447
$ 760	$ 7,516	$ 1,057,096	$ 2,164,488

SOLEDAD UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 136,421	$ 5,759	$ 2,442,094
Other State sources	78,284	546,407	209,713
Other local sources	26,514	13,350	110,247
Total Revenues	241,219	565,516	2,762,054
EXPENDITURES			
Current			
Instruction	280,101	442,682	-
Instruction-related activities:			
Supervision of instruction	114,997	101,953	-
School site administration	24,637	-	-
Pupil services:			
Food services	-	-	2,682,156
Administration:			
All other administration	4,222	19,285	-
Plant services	21,260	-	101,668
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	445,217	563,920	2,783,824
Excess (Deficiency) of Revenues Over Expenditures	(203,998)	1,596	(21,770)
Other Financing Sources			
Transfers in	200,000	-	-
Net Financing Sources	200,000	-	-
NET CHANGE IN FUND BALANCES	(3,998)	1,596	(21,770)
Fund Balance - Beginning	237,993	7,849	573,056
Fund Balance - Ending	$ 233,995	$ 9,445	$ 551,286

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 2,584,274
-	-	14,953	849,357
760	97,511	2,304,774	2,553,156
760	97,511	2,319,727	5,986,787
-	-	-	722,783
-	-	-	216,950
-	-	-	24,637
-	-	-	2,682,156
-	-	-	23,507
-	-	-	122,928
174,616	152,956	-	327,572
-	32,526	1,085,000	1,117,526
-	4,809	635,993	640,802
174,616	190,291	1,720,993	5,878,861
(173,856)	(92,780)	598,734	107,926
-	-	-	200,000
-	-	-	200,000
(173,856)	(92,780)	598,734	307,926
174,616	95,645	458,362	1,547,521
$ 760	$ 2,865	$ 1,057,096	$ 1,855,447

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 of fair market value of commodities which are not reported as revenues and expenditures in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 5,587,392
Reconciling items:		
Food Distribution	10.555	38,872
Total Schedule of Expenditures of Federal Awards		$ 5,626,264

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Soledad Unified School District
Soledad, 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 Soledad 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 Soledad Unified School District's basic financial statements, and have issued our report thereon dated January 29, 2016.

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*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

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

We noted certain matters that we reported to management of Soledad Unified School District in a separate letter dated January 29, 2016.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 29, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Soledad Unified School District
Soledad, California

Report on Compliance for Each Major Federal Program

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

Opinion on Each Major Federal Program

In our opinion, Soledad 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 Soledad 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 Soledad 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 Soledad 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.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 29, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Soledad Unified School District
Soledad, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

In our opinion, Soledad Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

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

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

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

We did not perform continuation education compliance procedures because the continuation education ADA was under the level that requires testing.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

We did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any California Clean Energy Jobs Act funds.

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

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOLEDAD UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic
84.027	IDEA - Part B, Section 611, Basic

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

STATE AWARDS

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

SOLEDAD UNIFIED SCHOOL DISTRICT

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

None reported.

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

None reported.

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2014-001 30000

DISTRICT OFFICE

Financial Reporting

Year-End Closing Process

Criteria

The goal of the year-end accrual process is to recognize expenditures in the period in which the transactions are incurred, regardless of when funds are paid, to ensure accurate presentation of the governmental financial statements. Modified accrual basis accounting expenditures are recorded at the time services or goods are received, not when cash is actually paid to vendors.

Condition

During our audit we discovered instances where expenditures were not properly recorded. We found expenditures in both the General and Cafeteria Funds where goods or services were received in the 2013-2014 year but were not accrued.

Effect

Two key objectives for financial reporting for a governmental agency are to report whether the entities current year revenues were sufficient to pay current-year expenses, and to demonstrate whether the entity acquired and used its resources according to its legally adopted budget. Without proper use of modified accrual accounting these objectives will be difficult to meet due to potential material misstatements in the financial statements.

Cause

The District's Chief Business Official left during the 2013-2014 school year and was not replaced until after the year end closing process. The District has also recently moved to a new accounting system which requires different closing procedures. Without a Chief Business Official, the District had limited staffing coupled with a new accounting system some accruals were missed by the accounting staff.

Recommendation

Training should be provided to accounting staff and the new Chief Business Official develop written closing procedures and checklists such as noting recurring accruals so, in the absence of key staff, others have good guidance to accurately close the books.

Current Status

Implemented.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

Governing Board
Soledad Unified School District
Soledad, California

In planning and performing our audit of the financial statements of Soledad Unified School District, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 29, 2016, on the government-wide financial statements of the District.

MAIN STREET MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Bank Reconciliations

Observation

During the audit, we discovered the bank reconciliations were not timely. Specifically, the months of August 2014 through December 2014 were not reconciled until March 2015.

Recommendation

In order to maintain strong internal controls, the site must reconcile the bank statement on a monthly basis. This reconciliation must also be reviewed by someone other than the preparer of the reconciliation.

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered teachers/advisors and the ASB bookkeeper are not consistently using receipt books or a class roster (there insufficient supporting documentation) to document immediately when funds are being turned in, how much, and by which students. Without this supporting documentation, we cannot determine the deposit's intactness, if the teachers are forwarding the funds to the ASB bookkeeper in a timely manner, or the accuracy of the cash count sheet and the actual funds turned in.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

Recommendation

Prenumbered receipts or class room rosters should be utilized immediately for all collections by teacher/advisors and the ASB bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the ASB bookkeeper as documentation that all funds collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

Revenue Potentials

Observation

Revenue potential forms are not consistently utilized to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:

- Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks cost so profits can be determined.
- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Governing Board
Soledad Unified School District

Master Ticket Log

Observation

During our audit of the ASB, we discovered the site does use prenumbered tickets but does not maintain a master ticket log or ticket sales recap sheet. There appears to be enough revenues generated from school sporting events to warrant the use of prenumbered tickets, a master ticket log, and ticket sales recap sheet. Without the use of a master log or ticket sales recap sheet, the site does not know how much money should be turned in after an event, if the site is realizing all the revenue it should from certain fundraising events, or if actual attendance and funds raised by the event reconcile.

Recommendation

We recommend the continued use of prenumbered tickets, printed independently of the club sponsoring the event. The tickets should be kept in a place where they can be locked up and inventory of the tickets should be monitored by the use of a master ticket log. The master log will monitor tickets on hand, when and to whom tickets were issued, and the number of tickets sold or voided. The ticket sales recap sheet will reconcile tickets issued to cash received for those tickets sold as well as the return of those tickets not sold.

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 29, 2016