

LOS BANOS UNIFIED SCHOOL DISTRICT

MERCED COUNTY
LOS BANOS, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2015

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

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Financial Section



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INDEPENDENT AUDITOR'S REPORT

Jeanette L. Garcia,
CPA

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Los Banos Unified School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, General Fund Budgetary Comparison Schedule on page 47, Other Postemployment Benefits Schedule of Funding Progress on page 48 and Schedules of the District's Proportionate Share of Net Pension Liability and Contributions on pages 49 through 52 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 Los Banos Unified School District's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplemental information is presented for purposes of additional analysis as required by the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of Los Banos 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 Los Banos Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jeanette L Garcia + Associates". The signature is written in a cursive, flowing style.

Redlands, California
December 11, 2015

LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

INTRODUCTION

This Management Discussion and Analysis (MD&A) of Los Banos Unified School District's (District) financial statements provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The analysis looks at the District's financial performance as a whole. The MD&A should be reviewed in conjunction with the auditor's transmittal letters, notes to the basic financial statements and the basic government-wide financial statements to enhance the understanding of the District's financial performance.

The District offers instruction to students from preschool through twelfth grade, including programs for vocational education. During 2014-15, the District operated eight elementary schools, one junior high school, two comprehensive high schools, one continuation high school and one independent study school for the instruction of approximately 10,000 students.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This MD&A is part of a comprehensive annual financial report consisting of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The MD&A Statement is provided to assist our citizens, taxpayers, investors and creditors in reviewing the District's finances and to demonstrate the District's accountability for the funding it receives.

FINANCIAL HIGHLIGHTS

- Los Banos Unified School District's Government-wide Statement of Net Position illustrates total net position of \$20.2 million, the result of assets and deferred outflows of resources of \$162.8 million minus liabilities and deferred inflows of resources of \$142.6 million.
- General Revenues were \$81.2 million.
- Governmental Activities Expenses were \$97.1 million.

SIGNIFICANT EVENTS OF FISCAL YEAR 2014-15

Significant growth in the California economy has allowed the State to accelerate the payback of the funding schools lost during the 2007-2013 recession. The 14-15 year realized a 33% closure in the funding gap as identified by the State Department of Finance. The State provided one-time revenue that allowed the District to make a significant investment in technology infrastructure. This was necessary because the State was requiring that all 3-8 and 11th grade students take the new assessment electronically. Enrollment of new students in the District continued in 14-15 and the City of Los Banos began to see new home construction during the first half of the calendar year of 2015.

The Board of Education also approved the construction of a second junior high school and construction began in the Spring of 2015. Creekside Junior High is scheduled to open in August of 2016. In order to build the entire school at one time, the Board secured a Certificate of Participation to finance the \$25 million project.

While no API testing information was available in the 14-15 school year, success indicators for our students showed positive growth. The percentage of students qualifying to attend a four year university grew from 33% in 13-14 to 41% at PHS and 40% at LBHS in 2014-15, thus exceeding the statewide average of 35%.

California's new State Standards continue to be a key focus of instructional staff. District staff continue to refine curriculum and assessments to meet the high academic goals of the new standards. District staff are also working on integrated use of instructional technology in new common core lessons.

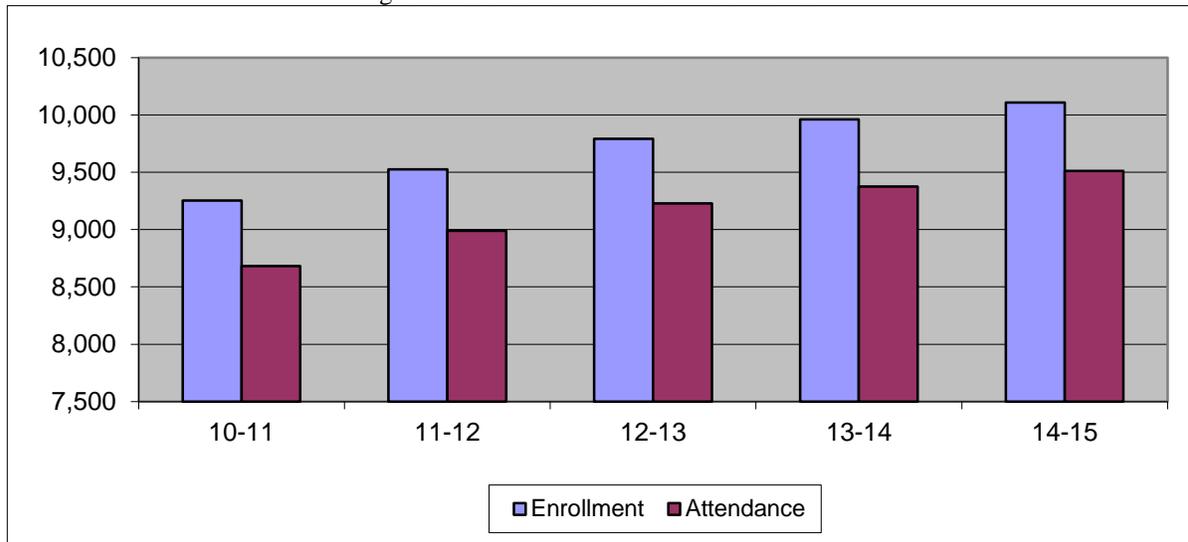
Green Valley Charter School expanded their course offerings to include 5th grade in the 2014-15 school year.

LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- District enrollment for the 2013-14 school year was 9,958 students and 10,108 students in 2014-15.
- In addition to tracking enrollment, the District also closely monitors actual Average Daily Attendance (ADA). The 2014-15 District P-2 ADA was 9,516 and is projected to be 9,787 in 2015-16.

Figure 1. District Enrollment vs. Attendance



- School districts place great importance on the accurate projection of student enrollment for the budget due to the broad range of funding and programs impacted by this number. These impacts range from the foundational LCFF funding for California school districts to how much a particular special program will receive and to the amount of one-time funds a district may receive. Increased ADA generates dollars to help offset the related cost of the additional enrollment, and the normal inflationary costs of operating the business of education.

REPORTING THE DISTRICT AS A WHOLE

• FUND OVERVIEW

The fund financial statements provide detailed information about the most significant funds only, while the non-major funds are consolidated into a single group. Some funds are required by State statute, while other funds are established by the District to manage money for particular purposes and manage compliance with various regulations. The three types of funds: governmental, proprietary and fiduciary, each use different accounting approaches as further described in the notes to the financial statements.

• GOVERNMENTAL FUNDS

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual accounting method. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship between the government-wide statements (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is reconciled in the notes to the financial statements.

LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

- PROPRIETARY FUNDS

Proprietary funds use full accrual accounting similar to commercial business-type activities, therefore the fund financial statements will essentially match the governmental activities statements. The District operates no proprietary funds.

- FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District’s own programs. The District uses a fiduciary fund to account for resources held for student activities and groups, including Associated Student Body funds, and Trust and Scholarship funds. Los Banos Unified School District is the trustee, or fiduciary, for its student activity funds. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Position. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

- NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

- THE DISTRICT AS A WHOLE

The “Statement of Net Position” provides the perspective of the District as a whole. Table 1 provides a summary of the District’s Net Position for fiscal year 2014-15 compared to 2013-14.

Table 1. Net Position (amounts in millions)

	Governmental Activities		
	2015	2014*	Difference
Current and Other Assets	\$ 30.9	\$ 33.4	\$ -2.5
Capital Assets	125.1	120.1	5.0
Total Assets	156.0	153.5	2.5
Deferred Outflows of Resources	6.8	0	6.8
Current Liabilities	5.2	5.7	-0.5
Long-Term Debt	121.6	63.6	58.0
Total Liabilities	126.8	69.3	57.5
Deferred Inflows of Resources	15.8	0	15.8
Net Assets			
Invested in Capital Assets, Net of Related Debt	64.6	64.2	0.4
Restricted	23.9	9.9	14.0
Unrestricted	-68.3	10.1	-78.4
Total Net Position	\$ 20.2	\$ 84.2	\$ -64.0

*Does not include adjustments for Net Pension Liability

LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

Table 2 compares the changes in net position for fiscal year 2014-15 to 2013-14.

Table 2. Changes in Net Position (amounts in millions)
Governmental
Activities

	2015	2014*	Difference
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 0.8	\$ 1.0	\$ -0.2
Operating Grants & Contributions	16.7	15.4	1.3
<i>General Revenues</i>			
Local Control Funding Formula Sources	0	61.8	-61.8
State Revenues	0	3.2	-3.2
Local Revenues	0	4.6	-4.6
Loss on Disposal of Assets	0	-0.1	0.1
Property Taxes	13.2	0	13.2
Federal & State Aid	66.0	0	66.0
Miscellaneous	2.0	0	2.0
Total Revenues	98.7	85.9	12.8
Expenses			
Instruction	53.5	50.8	2.7
Instruction-Related	8.0	8.3	-0.3
Student Support Services	12.4	11.3	1.1
General Administration	5.3	4.9	0.4
Maintenance & Operations	9.8	10.2	-0.4
Other	8.1	3.8	4.3
Total Expenses	97.1	89.3	7.8
Change in Net Position	1.6	-3.4	\$ 5.0

*Does not include adjustments for Net Pension Liability

LOS BANOS UNIFIED SCHOOL DISTRICT
 MANAGEMENT DISCUSSION & ANALYSIS
 For the Fiscal Year Ended
 June 30, 2015

GOVERNMENTAL FUNDS

- The District's Governmental Funds include Special Reserve Funds, Debt Service Funds, Capital Projects Funds, and most importantly, the General Fund. Figure 2 summarizes the District's General Fund revenue by source. Figure 3 summarizes the District's General Fund expenditures by function.

Figure 2. General Fund Revenues by Source

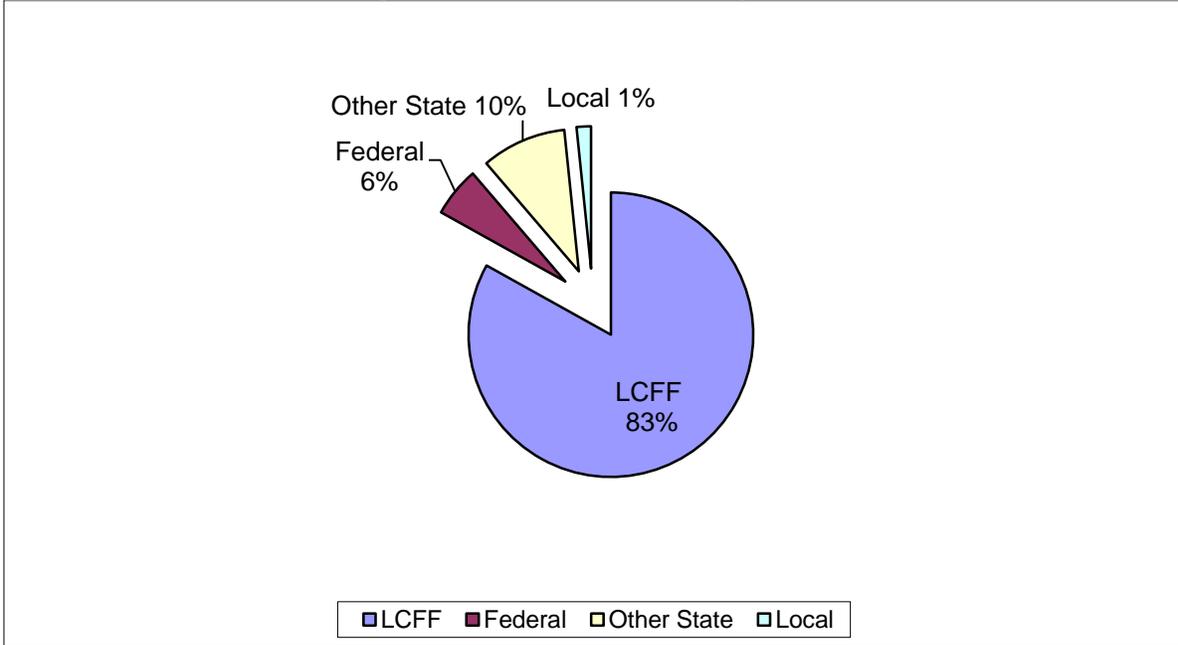
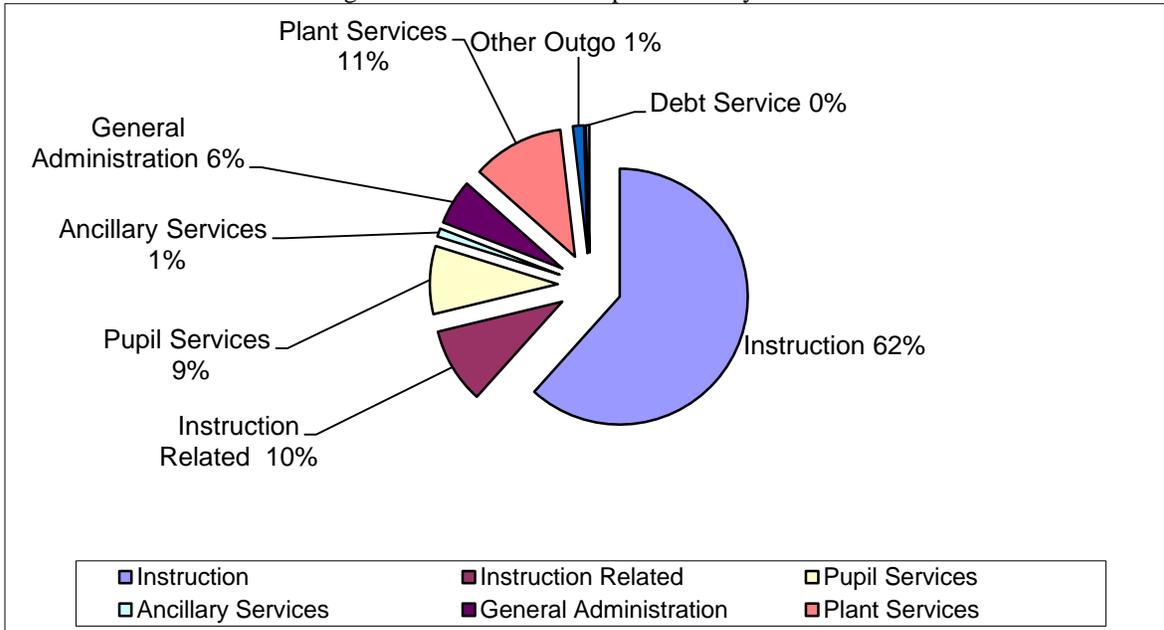


Figure 3. General Fund Expenditures by Function



LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting utilizing cash receipts, disbursements and encumbrances. The most significant fund is the General Fund.

The District begins the budget development process in January of each year and adopts the budget by June 30. Mid-year budget reporting includes 1st and 2nd Interim Reports. Unaudited Actuals are compiled after 6/30 year end and the audit report follows after that. During the year, budgets are reviewed continuously to inform management of changes.

- GENERAL FUND BUDGET VARIATIONS

There are various reasons for Budget revisions: State of California budget revisions (State revenues comprise 93% of the general fund budget); staffing adjustments due to enrollment changes; staff turnover; salary increases granted by the Board of Education; health and welfare benefits rate changes; implementation of new instructional or categorical programs; and adjustments of budgeted grant awards as the actual award documents are received.

For the District, the increased emphasis on closing the achievement gap for all of our students continues to push forward several academic-focused programs that will impact expenditures in personnel, instructional materials, supplies and outside services.

The difference in ending fund balance between the final budget and the actual balance of the General Fund was a decrease of \$0.2 million and may be summarized as follows:

- \$ 0.7 million increase in total revenues
- 0.9 million increase in total expenditures
- \$-0.2 million decrease in fund balance

LOS BANOS UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2015

CAPITAL ASSETS AND DEBT MANAGEMENT

CAPITAL ASSETS

At the end of the 2014-15 fiscal year, the District had \$125.1 million invested in land, improvements, buildings, equipment, and work in progress. Table 3 compares fiscal year 2014-15 amounts to 2013-14.

**Table 3. Changes in Capital Assets (in millions)
(Net of Depreciation)**

	<u>Governmental</u>	<u>Activities</u>	<u>Difference</u>
	<u>2015</u>	<u>2014</u>	
Land	\$ 10.8	\$ 10.8	\$ -
Improvements	14.0	14.3	-.03
Buildings	87.5	89.6	-2.1
Equipment	6.6	5.0	1.6
Work in Progress	6.2	1.5	4.7
Totals	\$ 125.1	\$ 121.2	\$ 3.9

DEBT

At June 30, 2015, the District had \$121.6 million in debt outstanding. Table 4 compares fiscal year 2014-15 liabilities to 2013-14.

Table 4. Outstanding Debt at Year-end (in millions)

	<u>Governmental</u>	<u>Activities</u>	<u>Difference</u>
	<u>2015</u>	<u>2014</u>	
General Obligation Bonds	\$ 53.2	\$ 53.6	\$ -0.4
Certificates of Participation	6.3	7.4	-1.1
Capitalized Lease Obligations	1.0	0.3	0.7
Other Postemployment Benefits	0.9	0.9	0.0
Net Pension Liability	58.8	74.0	-15.2
Compensated Absences	1.2	1.1	0.1
Totals	\$ 121.6	\$ 137.3	\$ -15.8

• CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Dean Bubar, Assistant Superintendent-Administrative Services at (209) 826-3801 ext. 7010, or Don Laursen, Fiscal Services Director, at (209) 826-3801, ext. 7022.

LOS BANOS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
 JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash (Note 2)	\$ 28,114,118
Accounts Receivable (Note 3)	2,706,770
Inventory	47,416
Other Current Assets	2,250
Total Current Assets	30,870,554
Capital Assets: (Note 6)	
Land	10,847,131
Site Improvements	20,036,265
Buildings	114,469,477
Furniture and Equipment	12,222,950
Work in Progress	6,242,279
Less Accumulated Depreciation	(38,710,517)
Total Capital Assets	125,107,585
TOTAL ASSETS	155,978,139
<u>DEFERRED OUTFLOWS OF RESOURCES</u> (Note 12)	6,800,147
<u>LIABILITIES</u>	
Accounts Payable and Other Current Liabilities	4,968,317
Unearned Revenue	205,652
Total Current Liabilities	5,173,969
Long-Term Liabilities: (Note 7)	
Portion Due or Payable Within One Year	3,817,509
Portion Due or Payable After One Year	117,757,005
Total Long-Term Liabilities	121,574,514
TOTAL LIABILITIES	126,748,483
<u>DEFERRED INFLOWS OF RESOURCES</u> (Note 12)	15,875,868
<u>NET POSITION</u>	
Net Investment in Capital Assets	64,555,314
Restricted for:	
Capital Projects	9,752,527
Debt Service	3,251,616
Educational Programs	220,215
Other Purposes (Expendable)	10,557,035
Other Purposes (Nonexpendable)	78,636
Unrestricted	(68,261,408)
TOTAL NET POSITION	\$ 20,153,935

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental:					
Instruction	\$ 53,453,822	\$ 109,990	\$ 9,642,584	\$ 54,380	\$ (43,646,868)
Instruction-Related Services:					
Supervision of Instruction	1,860,458	3,379	662,890	-	(1,194,189)
Instructional Library, Media and Technology	574,713	-	15,350	-	(559,363)
School Site Administration	5,586,118	97	205,696	-	(5,380,325)
Pupil Services:					
Home-to-School Transportation	1,810,022	-	-	-	(1,810,022)
Food Services	4,761,674	616,929	3,942,774	-	(201,971)
All Other Pupil Services	4,594,294	8,870	903,519	-	(3,681,905)
Ancillary Services	1,222,374	267	15,830	-	(1,206,277)
Community Services	7,058	-	-	-	(7,058)
General Administration:					
Data Processing	1,747,464	-	258	-	(1,747,206)
All Other General Administration	3,509,918	31,662	764,980	-	(2,713,276)
Plant Services	9,845,223	36,710	242,338	-	(9,566,175)
Interest on Long-Term Debt	2,433,217	-	-	-	(2,433,217)
Other Outgo	2,052,130	3,550	239,100	-	(1,809,480)
Depreciation (Unallocated)	3,677,587	-	-	-	(3,677,587)
Total Governmental Activities	\$ 97,136,072	\$ 811,454	\$ 16,635,319	\$ 54,380	(79,634,919)
General Revenues:					
Taxes:					
Property Taxes, levied for general purposes					9,497,276
Property Taxes, levied for debt service					3,558,686
Property Taxes, levied for other specific purposes					192,515
Federal and State Aid not restricted to specific purposes					66,029,993
Interest and Investment Earnings					71,345
Miscellaneous					1,879,585
Total General Revenues					81,229,400
Change in Net Position					1,594,481
Net Position - July 1, 2014, as Previously Reported					84,169,099
Adjustment for Restatement (Note 17)					(65,609,645)
Net Position - July 1, 2014, as Restated					18,559,454
Net Position - June 30, 2015					\$ 20,153,935

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2015

	GENERAL FUND	BUILDING FUND 22	CAPITAL FACILITIES FUND 25	BOND INTEREST & REDEMPTION FUND 51	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Cash (Note 2)						
Cash in County Treasury	\$ 11,166,699	\$ 5,864,967	\$ 3,240,015	\$ 3,251,616	\$ 3,794,363	\$ 27,317,660
Cash on Hand and in Banks	-	-	-	-	17,962	17,962
Cash in Revolving Fund	24,800	-	-	-	4,170	28,970
Cash with Fiscal Agent	(5)	-	-	-	749,531	749,526
Accounts Receivable (Note 3)	2,016,869	-	-	-	689,901	2,706,770
Due from Other Funds (Note 4A)	421,385	-	-	-	385	421,770
Inventory	-	-	-	-	47,416	47,416
Other Current Assets	2,250	-	-	-	-	2,250
TOTAL ASSETS	\$ 13,631,998	\$ 5,864,967	\$ 3,240,015	\$ 3,251,616	\$ 5,303,728	\$ 31,292,324
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 2,755,236	\$ 1,434,756	\$ 78	\$ -	\$ 27,585	\$ 4,217,655
Due to Other Funds (Note 4A)	998	-	-	-	420,772	421,770
Unearned Revenue	188,767	-	-	-	16,885	205,652
Total Liabilities	2,945,001	1,434,756	78	-	465,242	4,845,077
<u>Fund Balances (Note 5)</u>						
Nonspendable	27,050	-	-	-	51,586	78,636
Restricted	220,215	4,430,211	-	-	4,521,865	9,172,291
Assigned	7,699,501	-	3,239,937	3,251,616	265,035	14,456,089
Unassigned	2,740,231	-	-	-	-	2,740,231
Total Fund Balances	10,686,997	4,430,211	3,239,937	3,251,616	4,838,486	26,447,247
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,631,998	\$ 5,864,967	\$ 3,240,015	\$ 3,251,616	\$ 5,303,728	\$ 31,292,324

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
 JUNE 30, 2015

Total Fund Balances - Governmental Funds	\$	26,447,247
Amounts reported for governmental activities in the statement of net position are different because:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. The cost of the assets is \$163,818,102 and accumulated depreciation is \$38,710,517.		
		125,107,585
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period it is incurred. The additional liability for unmatured interest owing at the end of the period was:		
		(750,662)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities at year-end consist of:		
General Obligation Bonds	\$ 53,136,524	
Bond Premium	45,900	
Capital Leases	1,029,847	
Other Postemployment Benefits	898,873	
Certificates of Participation	6,340,000	
Net Pension Liability	58,933,000	
Compensated Absences	<u>1,190,370</u>	(121,574,514)
In governmental funds, deferred outflows and inflows of resources related to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to pensions are:		
Deferred outflows of resources related to pensions		6,800,147
Deferred inflows of resources related to pensions		<u>(15,875,868)</u>
Total Net Position - Governmental Activities	\$	<u>20,153,935</u>

The Notes to Financial Statements are an integral part of this statement.

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

	GENERAL FUND	BUILDING FUND 22	CAPITAL FACILITIES FUND 25	BOND INTEREST & REDEMPTION FUND 51	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Control Funding Formula Sources:						
State Apportionments	\$ 50,115,527	\$ -	\$ -	\$ -	\$ -	\$ 50,115,527
Education Protection Account Funds	13,669,679	-	-	-	-	13,669,679
Local Sources	9,497,277	-	-	-	-	9,497,277
LCFF Transfers	(111,801)	-	-	-	-	(111,801)
Total LCFF Sources	73,170,682	-	-	-	-	73,170,682
Federal Revenues	4,969,443	-	-	-	4,011,855	8,981,298
Other State Revenues	8,485,642	-	-	-	919,018	9,404,660
Other Local Revenues	1,438,137	47,855	949,115	3,570,031	750,646	6,755,784
Total Revenues	88,063,904	47,855	949,115	3,570,031	5,681,519	98,312,424
EXPENDITURES						
Instruction	54,873,709	-	-	-	533,249	55,406,958
Instruction-Related Services:						
Supervision of Instruction	1,989,659	-	-	-	-	1,989,659
Instructional Library, Media and Technology	624,389	-	-	-	-	624,389
School Site Administration	5,913,507	-	-	-	69,825	5,983,332
Pupil Services:						
Home-to-School Transportation	2,969,110	-	-	-	-	2,969,110
Food Services	-	-	-	-	4,856,089	4,856,089
All Other Pupil Services	4,690,823	-	-	-	-	4,690,823
Ancillary Services	931,486	-	-	-	-	931,486
General Administration:						
Data Processing	1,946,691	-	-	-	-	1,946,691
All Other General Administration	3,128,039	-	-	-	265,391	3,393,430
Plant Services	9,939,782	-	-	-	209,778	10,149,560
Facilities Acquisition and Construction	383,237	3,874,816	329,654	-	574,617	5,162,324
Other Outgo	1,245,432	1,400	-	-	-	1,246,832
Debt Service:						
Principal	377,825	-	1,095,000	1,346,826	-	2,819,651
Interest	10,212	-	210,888	2,329,049	-	2,550,149
Total Expenditures	89,023,901	3,876,216	1,635,542	3,675,875	6,508,949	104,720,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(959,997)	(3,828,361)	(686,427)	(105,844)	(827,430)	(6,408,059)
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In (Note 4B)	-	-	2,317,124	-	-	2,317,124
Interfund Transfers Out (Note 4B)	(2,317,124)	-	-	-	-	(2,317,124)
Proceeds from Sale of Bonds	-	-	-	-	554,883	554,883
Proceeds from Capital Leases	1,108,573	-	-	-	-	1,108,573
Total Other Financing Sources (Uses)	(1,208,551)	-	2,317,124	-	554,883	1,663,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(2,168,548)	(3,828,361)	1,630,697	(105,844)	(272,547)	(4,744,603)
FUND BALANCES - JULY 1, 2014	12,855,545	8,258,572	1,609,240	3,357,460	5,111,033	31,191,850
FUND BALANCES - JUNE 30, 2015	\$ 10,686,997	\$ 4,430,211	\$ 3,239,937	\$ 3,251,616	\$ 4,838,486	\$ 26,447,247

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (4,744,603)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$7,514,885 exceed depreciation expense of \$3,677,587 in the period.	3,837,298
In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	116,650
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	41,666,595
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in the governmental funds as proceeds from debt were:	(40,897,287)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis.	1,679,302
In the statement of activities, compensated absences (vacation) and other postemployment benefits are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(63,474)
Change in Net Position for Governmental Activities	\$ <u>1,594,481</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT G

LOS BANOS UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash (Note 2)	
Cash on Hand and in Banks	\$ 355,113
Accounts Receivable	2,960
	<hr/>
TOTAL ASSETS	\$ 358,073
	<hr/> <hr/>
<u>LIABILITIES</u>	
Due to Student Groups	\$ 358,073
	<hr/>
TOTAL LIABILITIES	\$ 358,073
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Los Banos Unified School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into major, nonmajor and fiduciary funds.

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund 22 is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Capital Facilities Fund 25 is used to account for resources received from developer fees.

Bond Interest and Redemption Fund 51 is used to account for the accumulation of resources for, and the repayment of District bonds, interest and related costs.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two nonmajor special revenue funds.

- Child Development Fund 12 is used to account for resources dedicated to child development programs maintained by the District.
- Cafeteria Fund 13 is used to account for revenues received and expenditures made to operate the District's food service operations.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains five nonmajor capital projects funds.

- Building Fund 21 is used to account for the acquisition of major governmental capital facilities and buildings from the sales of bond proceeds.
- County School Facilities Fund 35 is used to account for revenues and expenditures for County School Facilities Program (SB40) approved projects.
- Special Reserve Fund 40 is used to account for revenues received and expenditures made in connections with maintenance of the District Property.
- Special Reserve Fund 41 is used to account for revenues received and expenditures made in connections with maintenance of the District Property.
- Community Facilities District Fund 49 is used to account for the capital projects financed by special taxes received from the Mello Roos District in Los Banos.

Fiduciary Funds:

Agency Funds are used to account for assets held by the District as trustee. The District maintains an agency fund for each school that operates an associated student body.

Reporting Entity

Los Banos Unified School District (the District) and the Community Facilities District (CFD) have a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, The Financial Reporting Entity, for inclusion of the CFD as a component unit of the District. The CFD was created for the sole purpose of financing the purchase, construction, expansion or rehabilitation of certain real and other tangible property with an estimated useful life of five years or longer, including elementary and secondary school sites and structures, and other governmental facilities which the District is authorized by law to contract, own or operate in order to meet increased demands placed upon the District as a result of developments or rehabilitation occurring within the area covered by CFD.

The following are those aspects of the relationship between the District and the CFD which satisfy GASB Statement No. 14 criteria:

Oversight Responsibility:

1. The CFD's legislative body is composed of the members of the District's Board of Education.
2. The District is able to impose its will upon the CFD, based on the following:
 - All major financing arrangements, contracts and other transactions of the CFD must have the consent of the District.
 - The District exercises significant influence over operations of the CFD. The facilities to be financed by the CFD are determined by the District and all facilities financed by the CFD will be owned and operated by the District.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3. The CFD provides specific financial benefits or imposes specific financial burdens on the District based on the following:
 - The major revenue sources of the CFDs are the special taxes levied on properties located in the Project area. The rate of special taxes to be levied and collected are determined by the Board of Education of the District.

Financial Presentation

The financial activities of the CFD are presented in Blended Component Unit - Capital Projects Fund.

Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

Unearned Revenue:

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

Expenses/Expenditures:

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

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By State law, the District's Board of Education must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

These budgets are revised by the District's Board of Education during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions.

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

Accounting Estimates

The presentation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

Encumbrances

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventory in the Cafeteria Fund consists mainly of expendable supplies held for consumption. Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and the cost is recorded as an expenditure at the time individual inventory items are requisitioned. Inventories are valued on the weighted average method. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of fund balance.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Capital Assets

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Building	25-50
Improvements	20
Vehicles	8-10
Office Equipment	5-20
Computer Equipment	5

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. An expenditure for these amounts is reported in the governmental funds only if they have been paid, e.g., as a result of taking vacation time or employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Net Position in the Government-Wide Financial Statements

In the government-wide Statement of Net Position, the net position amount can be classified and displayed in three components:

- Net Investment in Capital Assets – This consists of capital assets net of accumulated depreciation and reduced by any long term borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted – This consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance Reserves and Designations

In the governmental funds Balance Sheet, fund balance amounts are reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education (the District’s highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

Deferred Outflows and Deferred Inflows of Resources

Included in the Statement of Net Position are separate sections for deferred outflows and deferred inflows of resources.

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows and deferred inflows of resources have been reported as a result of recording the net pension liabilities and pension expense.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple-Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan’s fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

Local Control Funding Formula/Property Tax

As a result of the 2013-14 state budget package, the District's state apportionments are based on a new Local Control Funding Formula (LCFF). The LCFF creates base, supplemental, and concentration grants (by grade span) in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Full implementation of LCFF is estimated to be in fiscal year 2020-21. Until then, the District will receive approximately the same level of funding as in 2012-13, plus an additional amount each year to bridge the gap between current year funding and the LCFF target levels.

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

Secured property taxes are recorded as revenue when received by the District. The County apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

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

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

Change in Accounting Policies

- In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The 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 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.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time, the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and record a net pension liability for its proportionate share of the net pension liability for CalPERS and CalSTRS. The District will also record its proportionate share of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

- 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*.

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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

2. CASH AND DEPOSITS

Cash at June 30, 2015, consisted of the following:

	Governmental Funds	Fiduciary Funds	Total
Pooled Funds:			
Cash in County Treasury	\$ 27,317,660	\$ -	\$ 27,317,660
Deposits:			
Cash on Hand and in Banks	17,962	355,113	373,075
Cash in Revolving Fund	28,970	-	28,970
Cash with Fiscal Agent	749,526	-	749,526
Total	\$ 28,114,118	\$ 355,113	\$ 28,469,231

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Merced County Treasury as part of the investment pool which has a balance on June 30, 2015 of \$633,901,830. The County pools these funds with those of other Districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LOS BANOS UNIFIED SCHOOL DISTRICT
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JUNE 30, 2015

The fair market value of this pool as of June 30, 2015, as provided by the pool sponsor, was \$634,116,853. The County is required by Government Code Section 53635 pursuant to section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. Los Banos Unified School District maintains an investment with the Merced County Investment Pool with a fair value of approximately \$27,326,926 and an amortized book value of \$27,317,660. The average weighted maturity for this pool is 522 days.

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had no concentration of credit risk.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

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

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

3. ACCOUNTS RECEIVABLE

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

	GENERAL FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
Federal Sources			
Categorical Aid Programs	\$ 604,381	\$ -	\$ 604,381
Child Nutrition Program	-	537,006	537,006
Total Federal	<u>604,381</u>	<u>537,006</u>	<u>1,141,387</u>
State Sources			
Categorical Aid Programs	-	97,826	97,826
Child Nutrition Program	192,399	42,360	234,759
Lottery	847,865	-	847,865
Total State	<u>1,040,264</u>	<u>140,186</u>	<u>1,180,450</u>
Local Sources			
Other	372,224	12,709	384,933
Total Local	<u>372,224</u>	<u>12,709</u>	<u>384,933</u>
Total Receivables	<u>\$ 2,016,869</u>	<u>\$ 689,901</u>	<u>\$ 2,706,770</u>

4. INTERFUND TRANSACTIONS

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

A. Interfund Receivables/Payables (Due To/Due From)

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

<u>DUE FROM</u>	<u>DUE TO</u>		
	GENERAL FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
General Fund	\$ 692	\$ 306	\$ 998
All Other Governmental Funds	420,693	79	420,772
Total	<u>\$ 421,385</u>	<u>\$ 385</u>	<u>\$ 421,770</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2014-15 fiscal year were as follows:

TRANSFERS FROM	TRANSFERS TO
	CAPITAL FACILITIES FUND 25
General Fund	\$ 2,317,124

5. FUND BALANCE

Ending fund balance in the governmental funds is composed of the following elements:

	GENERAL FUND	BUILDING FUND 22	CAPITAL FACILITIES FUND 25	BOND INTEREST & REDEMPTION FUND 51	ALL OTHER GOVERNMENTAL FUNDS	TOTAL
Nonspendable:						
Revolving Fund	\$ 24,800	\$ -	\$ -	\$ -	\$ 4,170	\$ 28,970
Inventory	-	-	-	-	47,416	47,416
All Others	2,250	-	-	-	-	2,250
Total Nonspendable	27,050	-	-	-	51,586	78,636
Restricted for:						
Legally Restricted Balances	220,215	4,430,211	-	-	4,521,865	9,172,291
Assigned for:						
Athletics	11,203	-	-	-	-	11,203
Clearing	167,626	-	-	-	-	167,626
LBTA Conference Fund	74,560	-	-	-	-	74,560
District Music	14,631	-	-	-	-	14,631
Supplement and Concentration Grants	132,917	-	-	-	-	132,917
One Month Payroll Reserve	6,327,527	-	-	-	-	6,327,527
Proposition 30 Expiration	855,018	-	-	-	-	855,018
Lottery	116,019	-	-	-	-	116,019
Facilities Program	-	-	3,239,937	-	265,035	3,504,972
GO Bond Debt Service	-	-	-	3,251,616	-	3,251,616
Total Assigned	7,699,501	-	3,239,937	3,251,616	265,035	14,456,089
Unassigned for:						
Reserve for Economic Uncertainties	2,740,231	-	-	-	-	2,740,231
Total Fund Balance	\$ 10,686,997	\$ 4,430,211	\$ 3,239,937	\$ 3,251,616	\$ 4,838,486	\$ 26,447,247

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

6. CAPITAL ASSETS AND DEPRECIATION

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

PRIMARY GOVERNMENT				
	Balance*			Balance
	July 1, 2014	Additions	Retirements	June 30, 2015
Land	\$ 10,847,131	\$ -	\$ -	\$ 10,847,131
Site Improvements	19,895,947	140,318	-	20,036,265
Buildings	114,327,788	141,689	-	114,469,477
Furniture and Equipment	9,736,936	2,486,014	-	12,222,950
Work in Progress	1,495,415	4,746,864	-	6,242,279
	156,303,217	7,514,885	-	163,818,102
Less Accumulated Depreciation for:				
Site Improvements	5,590,880	453,933	-	6,044,813
Buildings	24,670,489	2,403,266	-	27,073,755
Furniture and Equipment	4,771,561	820,388	-	5,591,949
	35,032,930	3,677,587	-	38,710,517
Governmental Activities Capital Assets, Net	\$ 121,270,287	\$ 3,837,298	\$ -	\$ 125,107,585

* Restated (Note 17)

7. LONG-TERM DEBT

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

	Balance*			Balance	Amounts
	July 1, 2014	Additions	Deductions	June 30, 2015	Due Within One Year
General Obligation Bonds	\$ 44,154,636	\$ 39,788,714	\$ 30,806,826	\$ 53,136,524	\$ 1,935,167
Bond Premium	464,028	-	418,128	45,900	3,825
Bond Anticipation Note	8,968,533	-	8,968,533	-	-
Certificates of Participation	7,435,000	-	1,095,000	6,340,000	580,000
Capital Leases	299,382	1,108,573	378,108	1,029,847	291,293
Other Postemployment Benefits	911,176	-	12,303	898,873	1,007,224
Net Pension Liability	73,980,450	-	15,047,450	58,933,000	-
Compensated Absences	1,114,593	75,777	-	1,190,370	-
	\$ 137,327,798	\$ 40,973,064	\$ 56,726,348	\$ 121,574,514	\$ 3,817,509

* Restated (Note 17)

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

8. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2015, is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2014	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2015
1996 Series A	3/19/1996	2020	3.5-5.85%	\$ 6,978,434	\$ 1,549,636	\$ -	\$ 241,826	\$ 1,307,810
2008 Series 2008	7/15/2008	2029	4.0-5.0%	34,000,000	31,780,000	-	29,885,000	1,895,000
2010 Refunding Premium 2010	9/30/2010	2026	2.0-4.0%	12,840,000	10,825,000	-	680,000	10,145,000
				-	49,725	-	3,825	45,900
2008 2015B	6/10/2015	2038	4.79-5.15%	9,998,714	-	9,998,714	-	9,998,714
2015 Refunding	6/10/2015	2033	2.0-5.0%	29,790,000	-	29,790,000	-	29,790,000
				<u>\$ 93,607,148</u>	<u>\$ 44,204,361</u>	<u>\$ 39,788,714</u>	<u>\$ 30,810,651</u>	<u>\$ 53,182,424</u>

The annual requirement to amortize the Election of 1996, Series A general obligation bonds payable, outstanding at June 30, 2015, is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 235,167	\$ 469,833	\$ 705,000
2017	227,826	502,174	730,000
2018	221,055	528,945	750,000
2019	213,396	561,604	775,000
2020	207,944	592,056	800,000
2021	202,422	622,578	825,000
Total	<u>\$ 1,307,810</u>	<u>\$ 3,277,190</u>	<u>\$ 4,585,000</u>

The annual requirement to amortize the 2008 Series 2008 general obligation bonds payable, outstanding at June 30, 2015, is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 530,000	\$ 78,850	\$ 608,850
2017	645,000	52,125	697,125
2018	720,000	18,000	738,000
Total	<u>\$ 1,895,000</u>	<u>\$ 148,975</u>	<u>\$ 2,043,975</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The annual requirement to amortize the 2010 Refunding general obligation bonds payable, outstanding at June 30, 2015, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 700,000	\$ 349,925	\$ 1,049,925
2017	720,000	328,625	1,048,625
2018	740,000	306,725	1,046,725
2019	765,000	284,150	1,049,150
2020	790,000	256,875	1,046,875
2021-25	4,415,000	828,825	5,243,825
2026-27	<u>2,015,000</u>	<u>81,300</u>	<u>2,096,300</u>
Total	<u>\$ 10,145,000</u>	<u>\$ 2,436,425</u>	<u>\$ 12,581,425</u>

The annual requirement to amortize the 2010 Refunding general obligation bond premium, outstanding at June 30, 2015, is as follows:

<u>Year Ending June 30</u>	<u>Premium</u>
2016	\$ 3,825
2017	3,825
2018	3,825
2019	3,825
2020	3,825
2021-25	19,125
2026-27	<u>7,650</u>
Total	<u>\$ 45,900</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

The annual requirement to amortize the 2008 Series 2015B general obligation bonds payable, outstanding at June 30, 2015, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-25	-	-	-
2026-30	-	-	-
2031-35	4,800,487	6,709,513	11,510,000
2036-39	<u>5,198,227</u>	<u>9,966,773</u>	<u>15,165,000</u>
Total	<u>\$ 9,998,714</u>	<u>\$ 16,676,286</u>	<u>\$ 26,675,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 470,000	\$ 848,484	\$ 1,318,484
2017	35,000	1,319,887	1,354,887
2018	75,000	1,318,413	1,393,413
2019	920,000	1,303,487	2,223,487
2020	1,035,000	1,268,988	2,303,988
2021-25	7,435,000	5,493,737	12,928,737
2026-30	12,470,000	3,188,188	15,658,188
2031-34	<u>7,350,000</u>	<u>382,819</u>	<u>7,732,819</u>
Total	<u>\$ 29,790,000</u>	<u>\$ 15,124,003</u>	<u>\$ 44,914,003</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

The total annual requirement to amortize general obligation bonds payable, outstanding at June 30, 2015, is summarized below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,938,992	\$ 1,747,092	\$ 3,686,084
2017	1,631,651	2,202,811	3,834,462
2018	1,759,880	2,172,083	3,931,963
2019	1,902,221	2,149,241	4,051,462
2020	2,036,769	2,117,919	4,154,688
2021-25	12,071,547	6,945,140	19,016,687
2026-30	14,492,650	3,269,488	17,762,138
2031-35	12,150,487	7,092,332	19,242,819
2036-39	<u>5,198,227</u>	<u>9,966,773</u>	<u>15,165,000</u>
Total	<u>\$ 53,182,424</u>	<u>\$ 37,662,879</u>	<u>\$ 90,845,303</u>

9. CERTIFICATES OF PARTICIPATION

In September 2012, the Los Banos Unified School District issued Certificates of Participation in the amount of \$7,495,000 with interest rates ranging from 2.00 to 3.125 percent.

The certificates mature through August 2022, as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 580,000	\$ 166,535	\$ 746,535
2017	600,000	148,835	748,835
2018	810,000	131,330	941,330
2019	825,000	112,719	937,719
2020	845,000	90,994	935,994
2021-23	<u>2,680,000</u>	<u>123,888</u>	<u>2,803,888</u>
Total	<u>\$ 6,340,000</u>	<u>\$ 774,301</u>	<u>\$ 7,114,301</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

10. CAPITAL LEASE AGREEMENTS

The District has entered into capital leases for buses and copy machines. Future minimum lease payments under these agreements are as follow:

Year Ending June 30	Lease Payment
2016	\$ 291,293
2017	291,347
2018	221,647
2019	225,560
Total	\$ 1,029,847

11. OTHER POSTEMPLOYMENT BENEFITS

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* in the fiscal year ended June 30, 2009. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description. Certificated, Management, Supervisory, Confidential and Administrative employees may retire with District-paid medical/Rx benefits after the later of age 55 and 20 years of service immediately prior to retirement. If the Retirement/Longevity benefit is eliminated in the future, Certificated employees would be able to receive District-paid benefits after the later of age 55 and 12 years of service immediately prior to retirement.

For retirements on or after July 1, 2010, employees are eligible to retire with District-paid medical/Rx after the later of age 57 and 20 years of full-time service. For retirements on or after July 1, 2020, employees are eligible to retire with District-paid benefits commencing at age 59, if permitted by the carrier. District-paid benefits end at age 65. For the 2013-14 plan year, District contributions are limited to a cap of \$1,108.83 per month for Certificated retirees and \$1,242.24 per month for Management, Supervisory, Confidential and Administrative retirees.

Classified employees may retire with District-paid healthcare benefits after the later of age 55 and 15 years of service immediately prior to retirement. For retirements on or after July 1, 2010, employees are eligible to retire after the later of age 57 (or eligibility for a PERS disability benefit and at least age 55 at time of retirement) and 15 years of service. District-paid benefits end at age 65. District contributions are limited to a cap of \$1,276.83 per month for the 2013-14 plan year.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Funding Policy. “As required by GASB Statement No. 45, an actuary will determine the District’s Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years. The District’s funding policy is to contribute an amount to an irrevocable Trust each year equal to that year’s ARC. This funding policy will have the goal of maintaining a year-end Net OPEB Obligation (NOO) of \$0 for all future years. All future retiree health benefits will be paid out of the irrevocable trust set up for this purpose. The District’s Board of Education reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.”

Trust assets (Self Insured Schools of California GASB 45 Trust B) had an actuarial value of \$2,022,940 as of July 1, 2014. The trust balance for the year ended June 30, 2015 was \$2,387,220.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 un-funded actuarial liabilities over a period not to exceed thirty years.

	Government Activities
Annual required contribution (ARC)	\$ 1,007,224
Interest on net OPEB	63,782
Adjustment to ARC	(73,429)
Annual OPEB cost (expense)	997,577
Contribution made	(1,009,880)
Decrease in OPEB obligation	(12,303)
OPEB obligation at beginning of year	911,176
OPEB obligation at end of year	\$ 898,873

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the OPEB obligation for 2015 was:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 908,378	62.20%	\$ 526,028
6/30/2014	901,904	57.70%	911,176
6/30/2015	997,577	101.24%	898,873

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$6,472,331. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-2014 fiscal year was \$48,208,152 for a ratio of the UAAL to covered payroll of 13.4%.

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, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The liabilities set forth in the actuarial study are based on the actuarial assumptions described below:

Measurement Date:	July 1, 2014
Cost Method:	Projected Unit Credit
Discount Rate:	7.0% per Year
Trend Rate:	8.00%

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

12. NET PENSION LIABILITY

General Information About the Pension Plans

Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the California State Teachers' Retirement System (CalSTRS). Benefit provisions under the plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalPERS and CalSTRS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

Benefits Provided

CalPERS and CalSTRS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of service credit for each year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013, are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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

	CalPERS		CalSTRS	
	Before <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>	Before <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire Date				
Benefit Formula	2% at 55	2% at 62	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (average)	6.974%	6.974%	8.150%	8.150%
Required employer contribution rates	11.771%	11.771%	8.880%	8.880%

*Amounts are limited to 120% of Social Security Wage Base.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Contributions - CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay and the employer's contribution rate is 11.442% of annual payroll.

Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to make monthly contributions of 8% of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary by June 30, 2046.

On-Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date), the State contributed 5.204002% of salaries creditable to CalSTRS. 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 amounts reported in the General Fund Budgetary Comparison Schedule.

Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

	CalPERS	CalSTRS
Contributions - Employer	\$ 1,481,885	\$ 2,810,542
Contributions - Employee (paid by employer)	906,598	2,725,374
Contributions - State On-Behalf Payments	-	1,063,610
	\$ 2,388,483	\$ 6,599,526
Total	\$ 2,388,483	\$ 6,599,526

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

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

As of June 30, 2015, the District reported a net pension liability for its proportionate share of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalPERS	\$ 14,006,634
CalSTRS	<u>44,926,366</u>
 Total Net Pension Liability	 <u><u>\$ 58,933,000</u></u>

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability as of June 30, 2014. The total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportionate share at June 30, 2014, to its proportionate share at June 30, 2013, is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

For the year ended June 30, 2015, the District recognized pension expense of \$2,633,133. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,800,147	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>15,875,868</u>
 Total	 <u><u>\$ 6,800,147</u></u>	 <u><u>\$ 15,875,868</u></u>

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

\$6,800,147 reported as deferred outflows of resources related to 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 other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	
2016	\$ 3,968,967
2017	3,968,967
2018	3,968,967
2019	<u>3,968,967</u>
Total	<u>\$ 15,875,868</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

	<u>CalPERS</u>	<u>CalSTRS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal	Entry Age - Normal
Actuarial Assumptions		
Discount Rate	7.50%	7.60%
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.75%
Projected Salary Increase	3.20%-10.80% *	0.05%-5.60% *
Investment Rate of Return	7.50% #	7.60% #
Mortality	0.0125%-0.45905% &	0.013%-0.435% &

* Depending on age, service and type of employment

Net of pension plan investment expenses, including inflation

& Depending on age, gender and type of job

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for CalPERS and 7.60% for CalSTRS. To determine whether the District bond rate should be used in calculation of a discount rate for each plan, CalPERS and CalSTRS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan.

The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

According to Paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS and CalSTRS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS and CalSTRS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalPERS and CalSTRS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalPERS and CalSTRS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS and CalSTRS 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 10 years) and 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 quarter of one percent.

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

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return (Years 1-10) *</u>	<u>Real Return (Years 11+) #</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period

An expected inflation of 3.0% used for this period

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalPERS	CalSTRS
1% Decrease	6.50%	6.60%
Net Pension Liability	\$ 24,570,834	\$ 70,028,454
Current Discount Rate	7.50%	7.60%
Net Pension Liability	\$ 14,006,634	\$ 44,926,366
1% Increase	8.50%	8.60%
Net Pension Liability	\$ 5,179,180	\$ 23,995,786

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports.

13. COMPENSATED ABSENCES

The accumulated unpaid employee compensated absences as of June 30, 2015, amounted to \$1,190,370, which is included in general long-term debt.

14. JOINT POWERS AGREEMENTS

The District has entered into joint powers agreements (JPAs) with other governmental units, as allowed by the California Government Code. These JPAs have budgeting and financial reporting requirements independent of member units, whose financial statements are not presented in these financial statements; however, fund transactions between the entities and Los Banos Unified School District are included in these statements. Summarized below is certain information on these entities.

Organization of Self-Insured Schools (OSS)

- Purpose: To provide quality property and liability insurance at reduced rates.
- Participants: Other school districts in California.
- Governing Board: One representative for each district per 4,000 ADA.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Merced County Schools Insurance Group (MCSIG)

- Purpose: To provide an insurance purchasing pool for workers' compensation insurance.
- Participants: School districts in Merced County.
- Governing Board: Seven member executive board consisting of a representative from the Merced County Office of Education and member districts.

Self Insured Schools of California III (SISC III)

- Purpose: Arranges for and provides health insurance coverage for their member districts.
- Participants: School districts in Central and Southern California.
- Governing Board: Board of Directors are elected by member districts. All board members are employees of school districts.

California's Valued Trust (CVT)

- Purpose: Arranges for and provides health insurance coverage for their member districts.
- Participants: Local educational agencies throughout California.
- Governing Board: Twelve person Board of Trustees comprised of six management members and three each from CTA and CSEA.

Condensed financial information of these JPAs are as follows:

	<u>MCSIG</u>	<u>SISC III</u>
	Audited	Audited
	June 30, 2014	June 30, 2014
Total Assets	\$ 20,731,189	\$ 304,614,232
Total Liabilities	<u>18,525,130</u>	<u>159,022,820</u>
Net Position	<u>\$ 2,206,059</u>	<u>\$ 145,591,412</u>
Total Revenues	\$ 3,225,273	\$ 1,519,341,871
Total Expenditures	<u>8,391,576</u>	<u>1,541,013,235</u>
Net Increase (Decrease) in Net Position	<u>\$ (5,166,303)</u>	<u>\$ (21,671,364)</u>

Financial information on OSS and CVT was not available.

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

15. COMMITMENTS AND CONTINGENCIES

A. Federal and State Allowances, Awards and Grants

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

B. Litigation

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

C. Construction Commitments

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

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Creekside Junior High School	\$ 27,199,324	August 1, 2016

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ 742,571
Employee Benefits	1,555,513
Capital Outlay	119,028
Debt Service:	
Principal	966
Interest	522

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

17. EARLY RETIREMENT INCENTIVE PROGRAM (Golden Handshake)

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22711, 22714, 44929 and 87488, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

An employee has retired in exchange for the additional two years of service credit. The age is 72 years and service credit, before the additional two years, is 18 years.

The retiree's age and service credit is presented below:

<u>Position Vacated</u>	<u>Age</u>	<u>Service Credit</u>	<u>Retired Employee</u>		<u>Replacement Employee</u>	
			<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Teacher	72	18	<u>\$ 74,578</u>	<u>\$ 8,376</u>	<u>\$ 51,138</u>	<u>\$ 5,743</u>
Net Annual Savings			<u>\$ 26,073</u>			

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$32,782 in additional costs. The breakdown in additional costs is presented below:

Administrative Costs plus Interest	\$ 32,782
Post-Retirement	<u>-</u>
Total Additional Costs	<u>\$ 32,782</u>

18. ADJUSTMENT FOR RESTATEMENT

As a result of the implementation of GASB Statement No. 68, the net position at July 1, 2014, was restated by \$(69,688,023) to reflect the beginning balance of Net Pension Liability and Deferred Outflows of Resources.

In addition, the beginning balances of capital assets and general long-term debt were restated by \$1,126,550 and \$2,951,828, respectively, to correct beginning balances. As a result, the net position at July 1, 2014, was restated by a net total of \$(65,609,645).

19. SUBSEQUENT EVENT

In July 2015, the District issued Certificates of Participation in the aggregate principal amounts of \$18,125,000. The certificates mature through August 1, 2044 and bear interest rates from 3.50% to 5.00%.

Required Supplementary
Information

LOS BANOS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive-(Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Control Funding Formula Sources				
State Apportionments	\$ 54,150,078	\$ 50,375,161	\$ 50,115,527	\$ (259,634)
Education Protection Account Funds	9,160,417	13,714,372	13,669,679	(44,693)
Local Sources	7,708,715	9,010,198	9,385,476	375,278
Total LCFF Sources	<u>71,019,210</u>	<u>73,099,731</u>	<u>73,170,682</u>	<u>70,951</u>
Federal Revenues	4,096,718	6,026,466	4,969,443	(1,057,023)
Other State Revenues	5,399,266	6,893,694	8,485,642	1,591,948
Other Local Revenues	720,200	1,320,158	1,438,137	117,979
Total Revenues*	<u>81,235,394</u>	<u>87,340,049</u>	<u>88,063,904</u>	<u>723,855</u>
<u>EXPENDITURES</u>				
Certificated Salaries	37,673,759	38,569,183	38,459,886	109,297
Classified Salaries	12,833,554	12,239,798	12,982,369	(742,571)
Employee Benefits	19,699,133	19,658,375	21,213,888	(1,555,513)
Books and Supplies	5,625,867	6,817,012	5,569,469	1,247,543
Services and Other Operating Expenditures	4,647,848	6,734,040	6,699,696	34,344
Other Outgo	553,000	1,306,862	1,245,432	61,430
Direct Support/Indirect Costs	(235,800)	(249,578)	(265,391)	15,813
Capital Outlay	255,000	2,611,487	2,730,515	(119,028)
Debt Service:				
Principal	143,713	376,859	377,825	(966)
Interest	8,953	9,690	10,212	(522)
Total Expenditures*	<u>81,205,027</u>	<u>88,073,728</u>	<u>89,023,901</u>	<u>(950,173)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>30,367</u>	<u>(733,679)</u>	<u>(959,997)</u>	<u>(226,318)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	-	1,121,031	1,108,573	(12,458)
Interfund Transfers Out	(24,165)	(2,317,124)	(2,317,124)	-
Total Other Financing Sources (Uses)	<u>(24,165)</u>	<u>(1,196,093)</u>	<u>(1,208,551)</u>	<u>(12,458)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 6,202</u>	<u>\$ (1,929,772)</u>	<u>(2,168,548)</u>	<u>\$ (238,776)</u>
<u>FUND BALANCE - JULY 1, 2014</u>			<u>12,855,545</u>	
<u>FUND BALANCE - JUNE 30, 2015</u>			<u>\$ 10,686,997</u>	

* STRS On-Behalf payments of \$1,780,993 are included in the actual revenues and expenditures, but are not included in the budgeted amounts.

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
OTHER POSTEMPLOYMENT BENEFITS (OPEB) SCHEDULE OF FUNDING PROGRESS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2008	\$ 400,962	\$ 5,058,874	\$ 4,657,912	7.9%	\$ 42,287,835	11.0%
July 1, 2010	1,129,274	6,009,761	4,880,487	18.8%	38,121,159	12.8%
July 1, 2012	1,770,225	7,542,442	5,772,217	23.5%	41,206,644	14.0%
July 1, 2014	2,022,940	8,495,271	6,472,331	23.8%	48,208,152	13.4%

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS LAST TEN FISCAL YEARS*
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year 2015
District's proportion of the net pension liability (asset)	0.12338%
District's proportionate share of the net pension liability (asset)	\$ 14,006,634
District's covered-employee payroll	\$ 12,951,276
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALPERS LAST TEN FISCAL YEARS*
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year 2015
Contractually required contribution	\$ 1,481,885
Contributions in relation to the contractually required contribution	1,481,885
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	\$ 12,951,276
 Contributions as a percentage of covered-employee payroll	11.442%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALSTRS LAST TEN FISCAL YEARS*
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year 2015
District's proportion of the net pension liability (asset)	0.07688%
District's proportionate share of the net pension liability (asset)	\$ 44,926,366
State's proportionate share of the net pension liability (asset) associated with the District	22,001,530,500
Total	\$ 22,046,456,866
District's covered-employee payroll	\$ 34,067,176
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.88%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALSTRS LAST TEN FISCAL YEARS*
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year 2015
Contractually required contribution	\$ 2,810,542
Contributions in relation to the contractually required contribution	2,810,542
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	\$ 34,067,176
 Contributions as a percentage of covered-employee payroll	8.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

The Notes to Financial Statements are an integral part of this statement.

Supplementary Information

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	CHILD DEVELOPMENT FUND 12	CAFETERIA FUND 13	TOTAL
<u>ASSETS</u>			
Cash			
Cash in County Treasury	\$ 11,247	\$ 2,447,891	\$ 2,459,138
Cash on Hand and in Banks	-	17,962	17,962
Cash in Revolving Fund	-	4,170	4,170
Accounts Receivable	97,826	592,075	689,901
Due from Other Funds	-	385	385
Inventory	-	47,416	47,416
TOTAL ASSETS	\$ 109,073	\$ 3,109,899	\$ 3,218,972
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ 11,878	\$ 13,330	\$ 25,208
Due to Other Funds	52,672	368,100	420,772
Unearned Revenue	-	16,885	16,885
Total Liabilities	64,550	398,315	462,865
Fund Balances			
Nonspendable	-	51,586	51,586
Restricted	44,523	2,659,998	2,704,521
Total Fund Balances	44,523	2,711,584	2,756,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,073	\$ 3,109,899	\$ 3,218,972

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	CHILD DEVELOPMENT FUND 12	CAFETERIA FUND 13	TOTAL
<u>REVENUES</u>			
Federal Revenues	\$ 37,964	\$ 3,973,891	\$ 4,011,855
Other State Revenues	621,269	297,749	919,018
Other Local Revenues	30,645	688,664	719,309
Total Revenues	<u>689,878</u>	<u>4,960,304</u>	<u>5,650,182</u>
<u>EXPENDITURES</u>			
Instruction	533,249	-	533,249
Instruction-Related Services:			
School Site Administration	69,825	-	69,825
Pupil Services:			
Food Services	-	4,856,089	4,856,089
General Administration:			
All Other General Administration	44,456	220,935	265,391
Plant Services	4,103	205,675	209,778
Total Expenditures	<u>651,633</u>	<u>5,282,699</u>	<u>5,934,332</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,245	(322,395)	(284,150)
<u>FUND BALANCES - JULY 1, 2014</u>	<u>6,278</u>	<u>3,033,979</u>	<u>3,040,257</u>
<u>FUND BALANCES - JUNE 30, 2015</u>	<u>\$ 44,523</u>	<u>\$ 2,711,584</u>	<u>\$ 2,756,107</u>

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	BUILDING FUND 21	COUNTY SCHOOL FACILITIES FUND 35	SPECIAL RESERVE FUND 40	SPECIAL RESERVE FUND 41	COMMUNITY FACILITIES DISTRICT FUND 49	TOTAL
<u>ASSETS</u>						
Cash						
Cash in County Treasury	\$ -	\$ 1,067,588	\$ 153,013	\$ 225	\$ 114,399	\$ 1,335,225
Cash with Fiscal Agent	-	-	-	749,531	-	749,531
TOTAL ASSETS	\$ -	\$ 1,067,588	\$ 153,013	\$ 749,756	\$ 114,399	\$ 2,084,756
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 2,377	\$ 2,377
Fund Balances						
Restricted	-	1,067,588	-	749,756	-	1,817,344
Assigned	-	-	153,013	-	112,022	265,035
Total Fund Balances	-	1,067,588	153,013	749,756	112,022	2,082,379
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1,067,588	\$ 153,013	\$ 749,756	\$ 114,399	\$ 2,084,756

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BUILDING FUND 21	COUNTY SCHOOL FACILITIES FUND 35	SPECIAL RESERVE FUND 40	SPECIAL RESERVE FUND 41	COMMUNITY FACILITIES DISTRICT FUND 49	TOTAL
<u>REVENUES</u>						
Other Local Revenues	\$ 37	\$ 6,413	\$ 920	\$ 73	\$ 23,894	\$ 31,337
<u>EXPENDITURES</u>						
Facilities Acquisition and Construction	569,603	-	-	-	5,014	574,617
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(569,566)	6,413	920	73	18,880	(543,280)
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from Sale of Bonds	554,883	-	-	-	-	554,883
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(14,683)	6,413	920	73	18,880	11,603
FUND BALANCES - JULY 1, 2014	14,683	1,061,175	152,093	749,683	93,142	2,070,776
<u>FUND BALANCES - JUNE 30, 2015</u>	<u>\$ -</u>	<u>\$ 1,067,588</u>	<u>\$ 153,013</u>	<u>\$ 749,756</u>	<u>\$ 112,022</u>	<u>\$ 2,082,379</u>

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BALANCE JULY 1, 2014	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2015
<u>Los Banos Junior High School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 42,341	\$ 134,132	\$ 122,088	\$ 54,385
Account Receivable	-	-	-	-
TOTAL ASSETS	\$ 42,341	\$ 134,132	\$ 122,088	\$ 54,385
<u>LIABILITIES</u>				
Due to Student Groups				
General ASB Accounts	\$ 42,341	\$ 134,132	\$ 122,088	\$ 54,385
TOTAL LIABILITIES	\$ 42,341	\$ 134,132	\$ 122,088	\$ 54,385
<u>Los Banos High School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 204,433	\$ 545,108	\$ 541,051	\$ 208,490
Account Receivable	-	-	-	-
TOTAL ASSETS	\$ 204,433	\$ 545,108	\$ 541,051	\$ 208,490
<u>LIABILITIES</u>				
Due to Student Groups				
General ASB Accounts	\$ 204,433	\$ 545,108	\$ 541,051	\$ 208,490
TOTAL LIABILITIES	\$ 204,433	\$ 545,108	\$ 541,051	\$ 208,490
<u>Pacheco High School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 90,117	\$ 395,426	\$ 397,981	\$ 87,562
Account Receivable	-	-	-	-
TOTAL ASSETS	\$ 90,117	\$ 395,426	\$ 397,981	\$ 87,562
<u>LIABILITIES</u>				
Due to Student Groups				
General ASB Accounts	\$ 90,117	\$ 395,426	\$ 397,981	\$ 87,562
TOTAL LIABILITIES	\$ 90,117	\$ 395,426	\$ 397,981	\$ 87,562

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BALANCE JULY 1, 2014	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2015
<u>San Luis High School</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 10,414	\$ 14,136	\$ 19,874	\$ 4,676
Account Receivable	-	2,960	-	2,960
TOTAL ASSETS	\$ 10,414	\$ 17,096	\$ 19,874	\$ 7,636
<u>LIABILITIES</u>				
Due to Student Groups				
General ASB Accounts	\$ 10,414	\$ 17,096	\$ 19,874	\$ 7,636
TOTAL LIABILITIES	\$ 10,414	\$ 17,096	\$ 19,874	\$ 7,636
<u>Total</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 347,305	\$ 1,088,802	\$ 1,080,994	\$ 355,113
Account Receivable	-	2,960	-	2,960
TOTAL ASSETS	\$ 347,305	\$ 1,091,762	\$ 1,080,994	\$ 358,073
<u>LIABILITIES</u>				
Due to Student Groups				
General ASB Accounts	\$ 347,305	\$ 1,091,762	\$ 1,080,994	\$ 358,073
TOTAL LIABILITIES	\$ 347,305	\$ 1,091,762	\$ 1,080,994	\$ 358,073

The Notes to Financial Statements are an integral part of this statement.

LOS BANOS UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION AND ORGANIZATION
 JUNE 30, 2015

BOARD OF EDUCATION

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Anthony Parreira	President	December 2018
Marlene Smith	Vice-President	December 2018
Tommy Jones	Clerk	December 2016
Dennis Areias	Member	December 2018
Carole Duffy	Member	December 2016
Dominic Falasco	Member	December 2016
John Mueller	Member	December 2018

ADMINISTRATION

Steve M. Tietjen, Ed.D	Superintendent
Dean Bubar	Assistant Superintendent, Administrative Services
Don Laursen	Director of Fiscal Services

ORGANIZATION

The Los Banos Unified School District was unified July 1, 1965, and consists of an area comprising approximately 667 square miles. The District operates eight elementary schools, one junior high school, two comprehensive high schools, one continuation high school and one independent study school. There were no boundary changes during the year.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Second Period Report <u>48EEED82</u>	Second Period After Finding 2015-002 <u>EADF2161</u>	Annual Report <u>A926F201</u>	Annual Report After Finding 2015-002 <u>AD447990</u>
TK/K-3				
Regular	<u>2,961.50</u>	<u>2,961.50</u>	<u>2,967.87</u>	<u>2,967.87</u>
Grades 4-6				
Regular	<u>2,218.91</u>	<u>2,218.91</u>	<u>2,219.38</u>	<u>2,219.38</u>
Grades 7-8				
Regular	1,490.32	1,490.32	1,498.19	1,498.19
Special Education - NPS	1.58	1.58	1.58	1.58
Extended Year Special Education - NPS	0.18	0.18	0.18	0.18
Subtotal Grades 7-8	<u>1,492.08</u>	<u>1,492.08</u>	<u>1,499.95</u>	<u>1,499.95</u>
Grades 9-12				
Regular	2,875.72	2,842.14	2,846.76	2,812.83
Special Education - NPS	1.60	1.60	1.66	1.66
Extended Year Special Education - NPS	0.15	0.15	0.15	0.15
Subtotal Grades 9-12	<u>2,877.47</u>	<u>2,843.89</u>	<u>2,848.57</u>	<u>2,814.64</u>
Grand Total	<u><u>9,549.96</u></u>	<u><u>9,516.38</u></u>	<u><u>9,535.77</u></u>	<u><u>9,501.84</u></u>

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GRADE LEVEL	1986-87 MINUTES REQUIREMENT	RECALCULATED 1986-87 MINUTES REQUIREMENT*	2014-15 ACTUAL MINUTES	NUMBER OF DAYS TRADITIONAL CALENDAR	NUMBER OF DAYS MULTITRACK CALENDAR	STATUS
Kindergarten	36,000	35,000	57,420	180	N/A	In Compliance
Grades 1-3	50,400	49,000	52,500	180	N/A	In Compliance
Grades 4-8	54,000	52,500	53,820	180	N/A	In Compliance
Grades 9-12	64,800	63,000	64,955	180	N/A	In Compliance

* Amounts reduced as permitted by Education Code Section 46201.2(b).

Note: The District participated in Longer Day incentives and did not meet or exceed its target funding.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>General Fund</u>	<u>(BUDGET) 2016*</u>	<u>2015</u>	<u>2014***</u>	<u>2013***</u>
Revenues and Other Financial Sources	\$ 105,180,772	\$ 89,172,477	\$ 77,116,675	\$ 68,951,062
Expenditures	92,981,053	89,023,901	78,840,227	70,642,452
Other Uses and Transfers Out	10,000,000	2,317,124	57,184	-
Total Outgo	102,981,053	91,341,025	78,897,411	70,642,452
Change in Fund Balance	\$ 2,199,719	\$ (2,168,548)	\$ (1,780,736)	\$ (1,691,390)
Ending Fund Balance	\$ 13,133,484	\$ 10,686,997	\$ 12,855,545	\$ 14,636,281
Available Reserves	\$ 3,089,672	\$ 2,740,231	\$ 2,366,922	\$ 2,072,514
Reserved for Economic Uncertainties	\$ 3,089,672	\$ 2,740,231	\$ 2,366,922	\$ 2,072,514
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	3.00%	3.00%	3.10%	3.00%
Total Long-Term Debt	**	\$ 122,054,600	\$ 66,299,176	\$ 59,019,638
Average Attendance at P-2	9,642	9,516	9,423	9,227

The General Fund balance has decreased by \$3,949,284 over the past two years. The fiscal year 2015-16 budget projects an increase of \$2,199,719. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. Los Banos Unified School District has met the State's minimum requirements.

Average daily attendance has increased by 289 ADA over the past two years. An increase of 126 ADA is anticipated during the fiscal year 2015-16.

* Based on July 1 Budget, included for analytical purposes only and has not been subjected to audit.

** Not determined.

*** Does not include adjustments for Net Pension Liability.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>GENERAL FUND</u>			
U.S. Department of Education: Passed through the California Department of Education (CDE):			
* NCLB Title I	84.010	14329	\$ 2,503,938
IDEA, Education for the Handicapped			
Local Assistance	84.027	13379	1,402,342
Preschool Local Entitlement	84.027	13682	69,501
Preschool Grant	84.173	13430	28,937
Private Schools ISPs	84.027	10115	8,783
Advanced Placement Test	84.330B	14831	13,357
VATEA, Secondary	84.048	14894	91,112
NCLB Title II, Part A, Improving Teacher Quality	84.367	14341	308,578
Workability	84.126	10006	92,718
NCLB Title III, LEP	84.365	14346	<u>262,576</u>
Total Department of Education			4,781,842
U.S. Department of Health and Human Services: Passed through CDE:			
MediCal Billing Option	93.778	10013	<u>187,601</u>
Total General Fund			<u>4,969,443</u>
<u>CHILD DEVELOPMENT FUND</u>			
U.S. Department of Health and Human Services: Passed through CDE:			
Federal Child Care	93.596	13609	<u>37,964</u>
<u>CAFETERIA FUND</u>			
U.S. Department of Agriculture: Passed through CDE:			
National School Lunch Program	10.555	13396	3,309,983
Especially Needy Breakfast Program	10.553	13526	553,716
Basic Breakfast	10.553	13525	26,420
Meal Supplements	10.555	13528	<u>83,772</u>
Total Department of Agriculture			<u>3,973,891</u>
Total Federal Expenditures			<u>\$ 8,981,298</u>
* Major Programs Tested			

LOS BANOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM
WITH AUDITED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>GENERAL FUND</u>	<u>CHILD DEVELOPMENT FUND 12</u>	<u>CAFETERIA FUND 13</u>
June 30, 2015, Annual Financial and Budget Report Form Fund Balance	\$ 10,933,765	\$ 85,566	\$ 2,597,419
<u>Adjustments and Reclassifications</u>			
Increase (Decrease) Accounts Receivable for:			
Child Care Program	-	(41,043)	-
Child Nutrition	-	-	114,165
Increase Accounts Payable for:			
Instructional Materials	<u>(246,768)</u>	<u>-</u>	<u>-</u>
June 30, 2015, Audited Financial Statements Fund Balance	<u>\$ 10,686,997</u>	<u>\$ 44,523</u>	<u>\$ 2,711,584</u>

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>CHARTER SCHOOL</u>	<u>INCLUSION IN FINANCIAL STATEMENTS</u>
Green Valley Charter School	Not Included

LOS BANOS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Los Banos Unified School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, audit 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 combined and combining financial statements.

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with OMB Circular A-133.

E. Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt as reported on the SACS Form to the audited financial statements.

F. Schedule of Charter Schools

This schedule provides a list of Charter Schools sponsored by the District and specifies whether the Charter Schools are included in these financial statements.



Jeanette L. Garcia,
CPA

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

Independent Auditor's Report

To the Board of Education
Los Banos Unified School District
Los Banos, 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 Los Banos Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Los Banos Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

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

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

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

We noted certain matters that we reported to management of Los Banos Unified School District in a separate letter dated December 11, 2015.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Los Banos 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings and questioned costs as Findings 2015-001, 2015-002, and 2015-003.

Los Banos Unified School District's Response to Findings

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

Purpose of this Report

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



Redlands, California
December 11, 2015



Jeanette L. Garcia,
CPA

Jeanette L. Garcia & Associates

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Redlands, CA 92374
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www.jlgcpa.net

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

To the Board of Education
Los Banos Unified School District
Los Banos, California

Report on Compliance for Each Major Federal Program

We have audited Los Banos 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 Los Banos Unified School District's major federal programs for the year ended June 30, 2015. Los Banos Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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 Los Banos 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 Los Banos 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 on Los Banos Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Los Banos 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.

Member:

American
Institute of
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Accountants

California
Society of
Certified Public
Accountants

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of audit findings and questioned costs as Finding 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of Los Banos 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 Los Banos 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 Los Banos 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of audit findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Los Banos Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of audit findings and questioned costs. Los Banos Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Redlands, California
December 11, 2015



Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Education
Los Banos Unified School District
Los Banos, California

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Member:		Procedures Performed
American Institute of Certified Public Accountants	Local Education Agencies Other Than Charter Schools: Attendance	Yes
	Teacher Certification and Misassignments	Yes
	Kindergarten Continuance	Yes
California Society of Certified Public Accountants	Independent Study	Yes
	Continuation Education	Yes

	<u>Procedures Performed</u>
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High School	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No (see below)
Adult Education Maintenance of Effort	No (see below)
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not test compliance for Regional Occupational Centers or Programs and Adult Education Maintenance of Effort because the District had no expenditures for these programs in 2012-13.

Opinion on State Compliance

In our opinion, Los Banos Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements referred to above, which are required to be reported in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which is described in the accompanying schedule of audit findings and questioned costs as Findings 2015-002 and 2015-003. Our opinion is not modified with respect to matters identified.

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

A handwritten signature in black ink that reads "Jeanette L. Garcia + Associates". The signature is written in a cursive, flowing style.

Redlands, California
December 11, 2015

Findings and Recommendations

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

Significant deficiencies identified? Yes ✓ None Reported

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes ✓ No

Significant deficiencies identified? ✓ Yes None reported

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

Any audit finding disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes ✓ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 1,071,427 </u>
Auditee qualified as low-risk auditee?	<u> ✓ </u> Yes <u> </u> No

State Awards

Internal control over state programs:

Material weakness(es) identified? Yes ✓ No

Significant deficiencies identified? ✓ Yes None reported

Noncompliance material to financial statements noted? Yes ✓ No

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

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

None Reported.

Section III – Federal Award Findings and Questioned Costs

FINDING 2015-001
20000, 50000 – Equipment
U.S. Department of Agriculture passed through California Department of
Education 10.553, 10.555 NSLP Cluster

Specific Requirement: Local Education Agencies shall follow OMB Circular A-110 for equipment acquired under Federal awards received directly from a Federal awarding agency. OMB Circular A-110 requires that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. Furthermore, Education Code Section 35168 requires LEAs to maintain records that properly account for all equipment whose market value exceeds \$500 per item. These records must include the following information about the item: description, name, identification number, original cost, funding source, date of acquisition, location of use, and the time and mode of disposal.

Condition: It was noted during testing that the physical inventory count was last performed during 2001. Also, it was noted that the inventory for equipment other than technology valued between \$500 and \$4,999 has not been maintained. Two pieces of equipment purchased with National School Lunch Program funds totaling \$7,400 are not included in any inventory listing maintained by the District. We were also unable to locate two pieces of technology equipment totaling \$4,075. Furthermore, the equipment listing that is maintained for technology does not include the funding source.

Questioned Costs: \$7,400.

Context: We tested the District's equipment inventory listing, and discussed with District personnel what equipment is included in the equipment inventory listing and found that the listing does not include all equipment valued between \$500 and \$4,999 that was purchased using money received from federal awards. We tested seven individual items and found four exceptions with equipment valued between \$500 and \$4,999.

Effect: The District is not maintaining adequate equipment inventory records in compliance with Education Code Section 35168 or OMB Circular A-110.

Cause: Unknown.

Recommendation: The District should review the history of its purchases and disposals to help create and maintain an equipment inventory listing of all equipment with a market value of \$500 through \$4,999. The listing must include a description, name, identification number, original cost, funding source, date of acquisition, location of use, and the time and mode of disposal. To strengthen internal controls over equipment, all equipment valued at \$500 or more should be tagged with a District ID tag and added to the equipment inventory listing with a funding source. Equipment should be tagged before being put into use.

District Response: The District concurs and has assigned an individual to do a physical inventory and catch up the fixed asset data base for recent activity.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section IV – State Award Findings and Questioned Costs

FINDING 2015-002
Code 10000
Independent Study

Specific Requirements: Education Code 51747 states that independent study written agreements must contain certain required elements, including, but not limited to, the specific resources available to the students, a statement of policies regarding the length of time to complete assignments and the number of missed assignments allowed, the duration of the agreement and the signatures of the student, parent and teacher.

Additionally, Title 5, California Code of Regulations, section 406, requires that attendance credit is based on the time value of the student’s work produced, as personally reviewed and evaluated by the teacher.

Condition: The virtual independent study at Crossroads Alternative Education School is reported as independent study. However, the written agreements used for the virtual program are deficient. They are missing key elements, including the duration, the specific resources available, specific credits to be earned, District policies and teacher signature. In addition, attendance credit for the virtual program is based on actual attendance, not completed work.

Question Cost: Not Applicable.

Context: Auditor tested independent study students in both the traditional and virtual programs and found exceptions in only the virtual program.

Effect: The District cannot claim the ADA generated by the virtual independent study. Apportionment attendance at Second Period is overstated by 33.58 which results in a loss of funding of approximately \$250,000. The attendance was revised.

Cause: Unknown.

Recommendation: The District should review the procedures for the virtual independent study to ensure that the agreements are proper. Attendance credit must be based on completed work.

District Response: The District concurs and has reviewed and adjusted, with senior administration and the auditors, its virtual independent study: policies, guidelines and procedures; the student contract; and the attendance and academic credit tracking systems.

LOS BANOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINDING 2015-003

Code 72000

School Accountability Report Card (SARC)

Specific Requirements: Schools are required to have annual facility inspections. Specifically, State law requires that the annual facility inspection be reflected on the SARC in accordance with Section 33126(b) of the Education Code. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized during these inspections to determine if a school facility is in “good repair” and to rate the facility accordingly.

LEAs should ensure that information concerning school facility conditions and the “good repair” status of facilities should use the most recent available data collected by the LEA. The year and month in which the data were collected should also be identified.

Condition: We found discrepancies between the FIT and the SARC for Los Banos Elementary School and San Luis High School. It appears the SARC was inaccurate as to the school facility conditions.

Questioned Costs: Not Applicable.

Context: We tested all of the District’s thirteen School Accountability Report Cards and found exceptions on two of them.

Effect: Not Applicable.

Cause: Unknown.

Recommendation: District should ensure that the information published in the SARC is accurate. Someone should review the SARC and compare it to the source documents for accuracy.

District Response: The District concurs and has reviewed the compilation of the SARC and this particular element with the responsible senior administration and associated staff.

LOS BANOS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prior Year Findings and Recommendations:

FINDING 11-1
Code 30000
Significant Deficiency in Internal Control – Student Body Revenues

During our testing of student body revenues, we noted that for the activity selected at Los Banos Junior High School, the District did not keep a record of yearbooks sold to allow for a final potential revenue calculation. Additionally, at Pacheco High School, a potential revenue form was not kept for spirit packs sold.

RECOMMENDATION

We recommend the District make a greater effort to ensure that procedures already in place for student body documentation are followed.

Current Status: Not Implemented. See management letter

FINDING 2014-001
Code 10000
Continuation Education Attendance

Specific Requirement: Pursuant to Education Code Section 14503(a), if the LEA is not in compliance with a requirement that is a condition of eligibility for the receipt of State funds, the audit report shall include the number of units of Average Daily Attendance (ADA), if any, that were inappropriately reported for apportionment. In addition, Education Code Section 46300(a) states, "In computing ADA of a school district..., there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under immediate supervision and control of an employee of the District..., who possessed valid certification document, registered as required by law".

Condition: When testing continuation education's attendance for month seven at San Luis High School, we noticed an error on the attendance class rosters. Six students were not listed on any of the signed teachers' class rosters for their portion of attendance in the period. Allowed ADA is based on the teachers' final certification of the class rosters.

P-2 Attendance Report ADA was overstated by 0.16 ADA. Annual Attendance Report ADA was overstated by 0.14 ADA. Component differences are as follows:

P-2 Attendance Report

Continuation Education Grades 9-12: ADA per report = 137.87. ADA per Audit = 137.71. The difference is (0.16).

Annual Attendance Report

Continuation Education Grades 9-12: ADA per report = 138.10. ADA per Audit = 137.96. The difference is (0.14).

Questioned Costs: Not Applicable.

Context: The issue is isolated to attendance reporting at the continuation site.

Effect: There is no fiscal impact.

LOS BANOS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cause: The students in question attended school for the first part of the school period. Before the end of the school period, these students had un-enrolled. The teacher rosters were printed by the secretary at period end, after the students had un-enrolled, causing these students to not be included on the signed teacher rosters for the period of attendance

Recommendation: We recommend the continuation education site update their attendance process to include all student attendance on each teacher signed roster, including those students who un-enroll before period end.

Current Status: Implemented

FINDING 2014-002
Code 72000
State Compliance- School Accountability Report Card

Specific Requirements: Pursuant to the provision of subdivision (b)(8) of Education Code Section 33126, if the Facility Inspection Tool (FIT) was completed prior to the publication of the school's School Accountability Report Card (SARC), the information included in the SARC is required to agree to the FIT.

Condition: The repair status of the external system inspected is reported on the SARC for Crossroads Alternative Education Center as "n/a" when the FIT reports the repair status as "poor".

Questioned Costs: Not Applicable.

Context: The finding applies to reporting on the SARC for Crossroads Alternative Education Center.

Effect: Parents of the students currently enrolled with the District, as well as those considering enrolling their children, do not have accurate SARC with which to make decisions.

Cause: The discrepancy was a clerical error.

Recommendation: We recommend the District staff agree the information in the SARC to the most recent FIT prior to publication.

Current Status: Not Implemented

LOS BANOS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINDING 2014-003

Code 40000

State Compliance – After School Education and Safety Program

Specific Requirements: Education Code 8483 states that elementary school pupils must participate in the full day of the program every day during which the pupils participate. However, Education Code Section 8483 further states that every After School Education and Safety (ASES) Program may establish a policy regarding reasonable early daily release of pupils from the program and that every Before School Program may establish a policy regarding reasonable late daily arrival of pupils to the program.

Condition: At the Henry Miller Elementary School we identified one day for one student where the student was marked present on the sign in/out sheet, however, due to a clerical error, he was marked absent on the monthly summary. We also identified four days for one student where the student departed early from the program without a reason for early departure. At Los Banos Elementary School we identified two attendance days where students arrived late with no reason for late arrival noted.

Questioned Costs: Not Applicable.

Context: The finding is isolated to the ASES program at the Henry Miller Elementary School and Los Banos Elementary School.

Effect: The District is out of compliance with the State requirements.

Cause: Sign in/out sheets were not reviewed to ensure all reasons for early departure or late arrival were noted. Clerical errors were also made by staff entering daily attendance.

Recommendation: We recommend the District ASES staff take more care in reviewing the daily sign in/out sheets to ensure all students leaving early or arriving late have the appropriate early release or late arrival code noted. We also recommend the District ASES staff take more care in recording daily attendance to ensure attendance is properly reported.

Current Status: Implemented

FINDING 2014-004

Code 40000

State Compliance – Unduplicated Local Control Funding Formula Pupil Counts

Specific Requirements: Pursuant to Education Code Section 42238.02(b) (2) the LEA shall annually submit its enrolled free and reduced-priced meal (FRPM) eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the State Superintendent using the California Longitudinal Pupil Achievement Data System (CalPADS). Pursuant to Education Code Section 42238.02(b)(3)(B) the audit of the LEA shall include procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the LEA's English Learner (EL), foster youth, and free or reduced-price meal (FRPM) eligible pupil records.

LOS BANOS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Condition: During testing of unduplicated Local Control Funding Formula Pupil Counts, in one sample of eight students, one student was found to be ineligible. After expanding audit procedures to test 100 percent of the population where the error was discovered, we found eight additional students who were found ineligible. These students were reported on the certified 1.18-FRPM/English Learner/Foster Youth-Student List report with the following criteria:

- A. Were not free and reduced price meal eligible under the “NSLP Program” column.
- B. Identified as “EL”, English learner, in the “ELAS Designation” column.
- C. Marked “No” under the “Direct Certification” column.

Each student was tested for correct reporting as an “EL” student. However, our test noted these nine students were not properly reclassified.

Questioned Costs: Not Applicable.

Context: The error is isolated to the Volta Elementary School.

Effect: The total error in unduplicated pupil counts in nine students. The results in a fiscal impact of \$4,905.

Cause: The ineligible students were not correctly reclassified as non-EL students in accordance with the Districts reclassification policy.

Recommendation: We recommend the District review the accuracy of the EL students being reported on the certified 1.18 – FRPM/English Learner/Foster Youth – Student List report. We recommend the District remit the funds back to the State.

Current Status: Implemented



Jeanette L. Garcia,
CPA

To the Board of Education
Los Banos Unified School District
Los Banos, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Banos Unified School District, for the year ended June 30, 2015, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent non-material conditions noted by the audit that we consider important enough to bring to your attention. We previously reported on the District's internal control over financial reporting in our report dated December 11, 2015. The Findings and Recommendations section of the audit report dated December 11, 2015, contains certain reportable conditions in the District's internal control over financial reporting. This letter does not affect our report dated December 11, 2015 on the financial statements of Los Banos Unified School District.

Cafeteria Fund

1. Refunds to parents for funds in their account are paid with cash taken from a school's undeposited daily sales. This causes the school to report a shortage for the day. Refunds should be paid by check and daily food sales should be deposited intact.
2. There is no system in place to account for the food cart sales. Cart sales are included in the daily deposit but not in the NutriKids system, which results in an "overage" every day. A simple inventory system should be established to account for units sold and cash collected so that overages and shortages can be properly monitored.

ASBs

All ASBs

1. At the beginning of the year, the outstanding checks from the June bank reconciliation are voided and reissued in the current year. As a result, the beginning balance changes and no longer agrees to the audited balance from the previous year. The bookkeepers should discontinue voiding the checks from June.

Los Banos JHS

1. Pre-numbered receipts are not written at the time money is received. Receipts are written after the bank deposit is made. As a result, we are unable to determine if money received is deposited intact. Prenumbered receipts should be issued immediately upon receiving cash and later reconciled against the bank deposits to verify that all collections have been included in the deposit.
2. Personal checks are being cashed from undeposited monies. Deposits should remain intact. Personal checks should not be cashed from undeposited monies.
3. Two out of fifteen disbursements are not adequately supported by receiving documents. All expenditures should be supported by proof of receipt.

Member:

American
Institute of
Certified Public
Accountants

California
Society of
Certified Public
Accountants

4. It was noted that District monies (library fees, art fees, home economic fees and ceramic fees) are deposited into the ASB account and used to purchase classroom supplies. Fees such as these should be forwarded to the business office for deposit into the General Fund.
5. The revenue potential forms are not being prepared correctly. Revenue potentials must be filled out completely in order to provide the intended internal control.

Los Banos HS

1. We noted the following exceptions during our test of nineteen expenditures:
 - a. Four were not supported by receiving documentation.
 - b. Five were not approved prior to the purchase.
 - c. One expenditure to send the Athletic Director to a conference appears not to be an allowable ASB expenditure.
 - d. Two expenditures were to buy classroom supplies from class fees deposited into the ASB account.
 - e. We selected one of nine total payments to cheerleaders to work at the cheer camp (\$13 an hour).All ASB expenditures must be supported by adequate invoice and receiving documentation. All expenditures must be approved prior to the purchase. Classroom supplies should be purchased by the General Fund.
2. Revenue potentials are not prepared correctly, including the yearbook sale at the end of the year. Revenue potentials must be filled out completely in order to provide the intended internal control.
3. The athletic director signed a contract in 2013/14 to supply Gatorade to one vending machine. Current year purchases are not approved by the ASB and he is not keeping track of the inventory. All contracts should be reviewed by the Business Office. Sales from the vending machine should be monitored and compared to product to ensure the revenues are intact.
4. The ASB does not maintain an inventory of the unused tickets. Unused tickets must be controlled to ensure that no tickets are misused.

Pacheco HS

1. We noted delays of up to 39 days between the date of the receipt to the date of the bank deposit. Bank deposits should be made in a more timely manner, but no less than weekly.
2. We noted the following exceptions during our test of eighteen expenditures:
 - a. Six expenditures were not approved prior to the purchase.
 - b. Three expenditures were for PE equipment and we were advised by the department chair that she has no District budget, so she has to buy her own.
 - c. A scholarship payment was made to the student instead of the school.All ASB expenditures must be supported by adequate invoice and receiving documentation. All expenditures must be approved prior to the purchase. Classroom supplies should be purchased by the General Fund.
3. The ASB does not maintain an inventory of the unused tickets. Unused tickets must be controlled to ensure that no tickets are misused.
4. The revenue potential for the yearbook sale was not prepared. The yearbook sale is a major activity and a revenue potential should be prepared at the conclusion of the sale.

We will review the status of these recommendations during our next audit engagement. We have discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the management, Board of Education, others within the District, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Redlands, California
December 11, 2015