

HUENEME ELEMENTARY SCHOOL DISTRICT

BOARD AGENDA ITEM: ACCEPTANCE OF 2014-15 AUDIT REPORT

BOARD MEETING DATE: January 25, 2016

FROM: Dr. Christine Walker,
Assistant Superintendent, Business Services
Dr. Jerry Dannenberg, Superintendent

STAFF COMMENT

RECOMMENDATION

It is recommended that the Governing Board accept the June 30, 2015 Audit Report as presented.

BACKGROUND

The audit firm of Vicenti, Lloyd, Stutzman LLP (VLS) conducted the 2014-2015 annual financial audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States.

In the opinion of VLS, the basic financial statements fairly present the financial position of the Hueneme Elementary School District in accordance with generally accepted accounting principles as of June 30, 2015. The auditor also determined that HESD complied with all federal reporting requirements contained in the *Government Auditing Standards*.

The report will be available to the public upon request and has been posted on the Hueneme Elementary School District Website under board documents and on the business services page. A representative from Vicenti, Lloyd, Stutzman LLP will be present at the Governing Board meeting to present the audit and address any questions from the Governing Board.

HUENEME ELEMENTARY SCHOOL DISTRICT

VENTURA COUNTY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2015



HUENEME ELEMENTARY SCHOOL DISTRICT

AUDIT REPORT

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, CA 93041

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain 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.

Board of Education
Hueneme Elementary School District

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 listed above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hueneme Elementary School District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the basic financial statements, in 2015 the Hueneme Elementary School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions and schedule of postemployment healthcare benefits funding progress 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.

Board of Education
Hueneme Elementary School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hueneme Elementary School District's basic financial statements. The supplementary schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of the Hueneme Elementary 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 the 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 the Hueneme Elementary School District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2015

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the fiscal year ending June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statements No. 34 (*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*) issued June 1999. Certain comparative information between the current and the prior year is required to be presented in the MD&A.

Financial Highlights

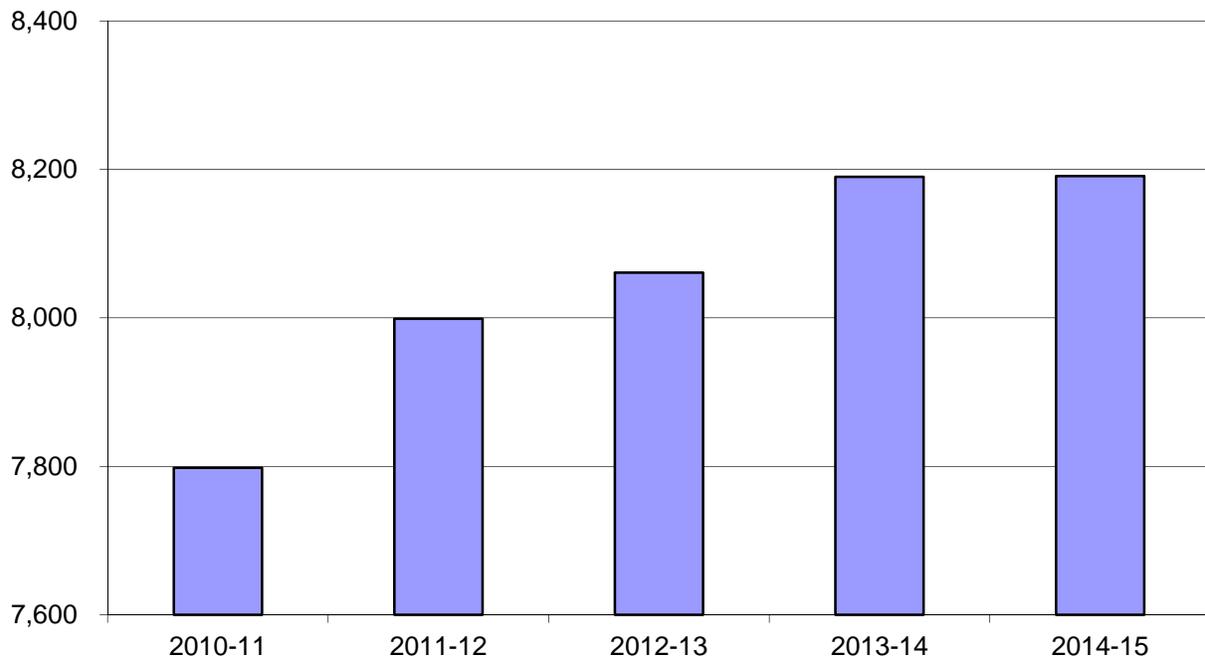
This section provides an overview of the District’s financial activities.

- The District’s combined net position was \$(42,276,138) for the fiscal year ending June 30, 2015. This was a decrease from the District’s combined net position for the fiscal year ending June 30, 2014, when it was \$17,183,642. The change is largely due to a cumulative effect of change in accounting principle from implementation of GASB Statements No. 68 and No. 71 as noted in Note 13 to the financial statements.
- During the adoption of the 2014-15 budget, the District Management Team established priorities in order to balance the District Budget within the parameters of the State Budget.
- The district health benefit cap was increased with on-going funds. The District contributed a total of \$14,460 per classified, certificated and management employees toward health premiums.
- The District, when eliminating the required recognition of the state’s on-behalf payments for CalSTRS to expenditures and revenues, continues to maintain reserves sufficient to meet the state required minimum Reserve for Economic Uncertainties of 3% of General Fund expenditures.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

- Average Daily Attendance (ADA) has increased over the last five (5) years by about 443 ADA. The chart below shows the District's ADA for the previous five-year period. ADA increased by 50 students in 2010-11, by 201 students in 2011-12, by 62 students in 2012-13, by 129 students in 2013-14, and by 1 student in 2014-15. The steady increase can be attributed to two factors; first, there was an increase in enrollment, and secondly, there was an increase in attendance. The District continued to offer Saturday Schools that were used to make-up student absences.

Average Daily Attendance (ADA)



Fund Financial Statements

More detailed information about the District's most significant funds are provided in the fund financial statements. Funds are accounting formats used to keep track of specific sources of funding and expenditures in particular programs. Some funds are required by bond covenants and by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debt). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The following list outlines funds used during the 2014-15 fiscal year:

Governmental Funds

- General Fund
- Special Revenue Fund
 - Cafeteria Fund
- Capital Projects Funds
 - Building Fund
 - Capital Facilities Fund
- Debt Service Fund
 - Bond Interest and Redemption Fund

Fiduciary Funds

- Associated Student Body Funds

The District maintains two classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided in the reconciliation provided after the governmental fund statements that explains the differences (or relationships).

Fiduciary fund: The District has several Associated Student Body Funds. For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary, and is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. These activities are excluded from the government-wide financial statements, as the assets cannot be used to finance other District operations.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation.

Net position is presented in three major categories. The first category provides the information in regards to equity in property, plant, and equipment owned by the District. The second category provides information on net position restricted for specific programs. The third category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Statement of Net Position is summarized below:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Assets		
Cash	\$ 13,410,277	\$ 21,670,252
Accounts receivable	13,083,727	3,285,489
Prepaid expenditures	475	10,819
Stores	98,540	97,070
Capital assets, net	<u>36,165,090</u>	<u>43,927,846</u>
Total Assets	<u>62,758,109</u>	<u>68,991,476</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions		4,376,575
Deferred charge on refunding	<u>537,028</u>	<u>503,464</u>
Total Deferred Outflows of Resources	<u>537,028</u>	<u>4,880,039</u>
Liabilities		
Other liabilities	11,139,470	4,896,600
Long-term debt outstanding	<u>34,972,025</u>	<u>97,582,536</u>
Total Liabilities	<u>46,111,495</u>	<u>102,479,136</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions		<u>13,668,517</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>13,668,517</u>
Net Position		
Invested in capital assets, net of related debt	6,513,362	3,767,059
Restricted	8,451,142	11,485,555
Unrestricted	<u>2,219,138</u>	<u>(57,528,752)</u>
Total Net Position	<u>\$ 17,183,642</u>	<u>\$ (42,276,138)</u>

- Cash with the District is also explained in the notes to the financial statements and is invested with the Ventura County Treasury to maximize interest income. The elimination of deferrals has decreased the District's need to rely on short term borrowing of cash.
- Accounts receivable are mainly amounts due from Federal and State government sources for the operation of categorical programs as well as for services provided by one fund to another fund.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

- Other liabilities consist mainly of the cost of supplies and/or services received during the 2014-15 fiscal year and paid in the 2015-16 year. Also included are revenues received during the year by categorical programs but not expended. These revenues are deferred to the next fiscal year.
- Unrestricted net position is a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the district.

Statement of Activities

A change in total net position, as presented on the Statement of Net Position, is based on the activity presented in the Statement of Activities. The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this Statement presents the District's results of operations.

The Statement of Activities is summarized below:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 80,014	\$ 86,126
Operating grants and contributions	16,790,269	15,141,850
General revenues:		
Property taxes	8,335,099	8,839,868
Grants, subsidies and contributions unrestricted	49,162,456	58,192,948
Interest and investment earnings	83,593	71,289
Other financing source	537,028	655,777
Miscellaneous	715,139	990,220
Total revenues	<u>75,703,598</u>	<u>83,978,078</u>
Expenses		
Instruction	46,255,927	50,477,291
Instruction related services	6,855,274	8,736,027
Pupil services	6,807,343	8,122,172
General administration	4,397,828	4,109,652
Plant services	6,059,312	5,975,238
Community services	734,329	626,024
Other outgo & debt service	3,749,523	4,198,620
Depreciation (unallocated)	2,223,623	2,405,347
Total expenses	<u>77,083,159</u>	<u>84,650,371</u>
Decrease in net position	<u>(1,379,561)</u>	<u>(672,293)</u>
Net position, beginning of year	18,563,203	17,183,642
Cumulative effect of change in accounting principle		(58,787,487)
Net position, beginning of year, after cumulative effect	<u>18,563,203</u>	<u>(41,603,845)</u>
Net position, end of year	<u>\$ 17,183,642</u>	<u>\$ (42,276,138)</u>

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

- Representing 81.6% of the General Fund expenditures, salaries and benefits comprise the largest expenditures of the District. Certificated and classified salaries are adjusted annually for step and column adjustments and corresponding savings due to attrition and retirements. Salaries also fluctuate based on compensation increases.
- Health and Welfare (medical, vision, dental and life) contributions paid by the District for current and retired employees are capped and represent approximately 9.1% of the General Fund budget. The current health and welfare annual premium for active employees is \$14,460. Employees make contributions for premium amounts that exceed the capped amount.
- General Fund interest income of \$71,289 is considered non-operating revenue. Interest income is credited to all funds of the district depending on cash balances held in the fund. Interest income was primarily generated by the cash invested in the Ventura County Treasury.
- Total expenses for the District’s government-wide activities increased by \$7,567,212 and revenues increased by \$8,274,480.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the District had \$3,767,059 invested in net capital assets, net of associated debt, primarily related to school construction and other capital improvements.

Note 8 to the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	June 30, 2014	June 30, 2015
Land	\$ 1,219,959	\$ 1,219,959
Buildings and site improvements	60,218,602	62,943,382
Machinery and equipment	3,601,932	3,164,963
Construction in progress	433,941	8,235,530
 Total	 65,474,434	 75,563,834
 Less: accumulated depreciation	 (29,309,344)	 (31,635,988)
 Net Capital Assets	 \$ 36,165,090	 \$ 43,927,846

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Debt

Note 7 to the financial statements provides for additional information on outstanding debt. A summary of the District's outstanding debt at year-end is presented below:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
General obligation bonds	\$ 29,651,728	\$ 40,160,787
Early retirement incentive	61,200	
Net pension liability	62,267,287	49,165,077
Other postemployment benefits other than pensions (OPEB)	6,676,558	7,788,858
Compensated absences	<u>433,739</u>	<u>467,814</u>
Net Long-Term Liabilities	<u>\$ 99,090,512</u>	<u>\$ 97,582,536</u>

Implementation of GASB Statements No. 68 and No. 70 in 2015 required recognition of the District's proportionate share of net pension liability for employee retirement plans and the balances as of each fiscal year end are reflected in the schedule above.

The District's general obligation bond ratings changed in the 2014-15 fiscal year as follows: the ratings for the 2011 General Obligation Refunding bonds were upgraded from an AA- rating to an AA rating according to Standard & Poor's Ratings Services. At the time of issuance, the bonds were assigned an underlying A+ rating by Standard & Poor's.

Governmental Funds

All Governmental Funds are summarized below:

Governmental Funds	Fund Balance		
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Difference</u>
<i>General</i>	\$ 10,678,318	\$ 9,605,956	\$ (1,072,362)
<i>Cafeteria</i>	1,942,685	1,822,820	(119,865)
<i>Building</i>	2,107,282	5,579,540	3,472,258
<i>Capital Facilities</i>	492,667	408,015	(84,652)
<i>Bond Interest and Redemption</i>	<u>2,555,423</u>	<u>3,418,635</u>	<u>863,212</u>
Totals	<u>\$ 17,776,375</u>	<u>\$ 20,834,966</u>	<u>\$ 3,058,591</u>

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Governmental Funds (continued)

- There was a decrease of \$1,072,362 in the General Fund.
- The Cafeteria Fund ending balance decreased by \$119,865.
- The ending fund balance in the Building Fund increased by \$3,472,258 due to issuance of a new bond series.
- The decrease in the Capital Facilities Fund of \$84,652 is due to setting up new classrooms to accommodate increased enrollment.
- Finally, the Bond Interest and Redemption Fund ending balance was increased by \$863,212 due to excess property taxes collected to make payments towards the District's general obligation bonds.

General Fund Budget Information

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A budgetary comparison schedule for the general fund is presented on page 48.

Variations between the original and final budget amounts were in part created by carryover of funds and new funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

Variations between final budget amounts and actual results were a direct result of actions taken by the department heads and site administrators to reduce or defer expenditures and increase income during the fiscal year.

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 budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30th. After updating changes in revenue and expenditure assumptions, the operating budget begins at the school level. The District uses staffing allocation formulas, per pupil allocations for site supplies, and a review of historical cost data to develop a preliminary budget. The Board of Education begins the budget process by establishing District goals and budget priorities. When necessary, a Budget Advisory Committee is convened to assist the Superintendent with budget recommendations. Communication of the District budget is a key component in developing a final product.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

General Fund Budget Information (continued)

The budget cycle continues into the following fiscal year with the preparation of a 45-day budget revision (accepted 45 days from the date the governor signs the State budget) and two Interim reports (October 31st and January 31st) reviewed and approved by the Board. Site and department budgets are reviewed regularly to ensure management is aware of any significant variations during the year.

Economic Factors that may affect the Future

LOCAL CONTROL FUNDING FORMULA (LCFF) – When the 2013-14 Budget was signed into law, it reflected a shift in how schools are funded, and there is no longer a Revenue Limit, but rather schools are funded through the Local Control Funding Formula. Currently, the District is projecting a LCFF entitlement of \$8,799 per ADA for 2015-16. In projecting the next two years, it is estimated that the LCFF entitlement will be \$9,294 per ADA for 2016-17 and \$9,698 per ADA for 2017-18.

PROJECTED STUDENT AVERAGE DAILY ATTENDANCE – After a five year increase in ADA, the District expects a decrease in ADA due to a slight decline in enrollment. The LCFF ADA will remain flat for 2015-16.

<u>Year</u>	<u>Revenue Limit/LCFF ADA</u>	<u>Percent Growth %</u>
2007-08 (actual)	7,755	0.0%
2008-09 (actual)	7,716	(0.5%)
2009-10 (actual)	7,748	0.4%
2010-11 (actual)	7,798	0.6%
2011-12 (actual)	7,999	2.6%
2012-13 (actual)	8,061	0.8%
2013-14 (actual)	8,190	1.6%
2014-15 (actual)	8,191	0.0%
2015-16 (estimate)	8,183	(0.1%)

Note: The above figures reflect total District P2 ADA, excluding County Special Education.

LOTTERY – Unrestricted Lottery income in 2015-16 through 2017-18 is based on estimates from the California Department of Education and the Ventura County Office of Education.

HUENEME ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Economic Factors that may affect the Future (continued)

STATE CLASS SIZE REDUCTION – The State Class Size Reduction program has been folded into the Local Control Funding Formula. District will be making progress towards reducing class size in grades K-3 to 24:1 over the next eight years.

SPECIAL EDUCATION – Based on current estimates, the General Fund contribution in support of various Special Education programs in 2015-16 will be approximately \$2.1 million.

ENDING FUND BALANCE PROJECTION – The District's 2015-16 ending fund balance is projected to meet the required 3% contingency reserve requirement.

Contacting the District's Financial Management

This financial report is designed to provide the community, investors, and creditors with a general overview of the district's financial condition and to show the district's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact:

Christine Walker Ed.D.
Assistant Superintendent, Business Services
Hueneme Elementary School District
205 N. Ventura Road
Port Hueneme, CA 93041
(805) 488-3588

FINANCIAL SECTION

HUENEME ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in County Treasury	\$ 21,659,252
Cash in Revolving Fund	11,000
Accounts Receivable:	
Federal and State Governments	3,213,982
Miscellaneous	71,507
Prepaid Expenditures	10,819
Stores	97,070
Land	1,219,959
Construction in Progress	8,235,530
Depreciable Assets, net	<u>34,472,357</u>
Total Assets	<u>68,991,476</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows of Resources Related to Pensions	4,376,575
Deferred Charge on Refunding	<u>503,464</u>
Total Deferred Outflows of Resources	<u>4,880,039</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	4,119,739
Interest Payable	667,936
Unearned Revenue	108,925
Current portion of Long-Term Liabilities:	
General Obligation Bonds, including Accreted Interest	1,925,000
Non-current Portion of Long-Term Liabilities:	
General Obligation Bonds, including Premium and Accreted Interest	38,235,787
Net Pension Liability	49,165,077
Other postemployment benefits other than pensions (OPEB)	7,788,858
Compensated Absences	<u>467,814</u>
Total Liabilities	<u>102,479,136</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows of Resources Related to Pensions	<u>13,668,517</u>
Total Deferred Inflows of Resources	<u>13,668,517</u>
<u>Net Position</u>	
Invested in Capital Assets, net of related debt	3,767,059
Restricted for:	
Debt Service	3,418,635
Construction Projects	5,987,555
Educational Programs	278,697
Cafeteria Program	1,800,668
Unrestricted	<u>(57,528,752)</u>
Total Net Position	<u>\$ (42,276,138)</u>

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction	\$ 50,477,291	\$	\$ 7,833,300	\$ (42,643,991)
Instruction - Related Services	8,736,027		1,194,372	(7,541,655)
Pupil Services	8,122,172	77,165	4,828,988	(3,216,019)
General Administration	4,109,652	3,330	370,868	(3,735,454)
Plant Services	5,975,238	5,631	292,386	(5,677,221)
Community Services	626,024		621,936	(4,088)
Other Outgo	1,749,756			(1,749,756)
Debt Service - interest	2,448,864			(2,448,864)
Depreciation (unallocated)	2,405,347			(2,405,347)
Total Governmental Activities	<u>\$ 84,650,371</u>	<u>\$ 86,126</u>	<u>\$ 15,141,850</u>	<u>(69,422,395)</u>
General Revenues				
Property Taxes levied for				
General Purposes				5,765,455
Debt Service				2,713,169
Other Specific Purposes				361,244
Federal and State Aid not Restricted to Specific Purposes				58,192,948
Interest and Investment Earnings				71,289
Miscellaneous				1,645,997
Total General Revenues				<u>68,750,102</u>
Change in Net Position				<u>(672,293)</u>
Net Position - Beginning of Year before change				17,183,642
Change in Accounting Principle (See Note 13)				<u>(58,787,487)</u>
Net Position - Beginning of Year after change				<u>(41,603,845)</u>
Net Position - End of Year				<u>\$ (42,276,138)</u>

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in County Treasury	\$ 12,380,805	\$ 4,151,004	\$ 3,415,728	\$ 1,711,715	\$ 21,659,252
Cash in Revolving Fund	11,000				11,000
Accounts Receivable:					
Federal and State Governments	2,377,889			836,093	3,213,982
Miscellaneous	59,738	7,156	2,907	1,706	71,507
Due from Other Funds	181,151	2,402,792		9,453	2,593,396
Stores	74,918			22,152	97,070
Prepaid Expenditures	10,819				10,819
Total Assets	\$ 15,096,320	\$ 6,560,952	\$ 3,418,635	\$ 2,581,119	\$ 27,657,026
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 2,667,763	\$ 981,412	\$ -	\$ 169,133	\$ 3,818,308
Due to Grantor Governments	301,431				301,431
Due to Other Funds	2,412,245			181,151	2,593,396
Unearned Revenue	108,925				108,925
Total Liabilities	5,490,364	981,412	-	350,284	6,822,060
<u>Fund Balance</u>					
Nonspendable	96,736			22,152	118,888
Restricted	278,697	5,579,540	3,418,635	2,208,683	11,485,555
Assigned	6,919,815				6,919,815
Unassigned	2,310,708				2,310,708
Total Fund Balance	9,605,956	5,579,540	3,418,635	2,230,835	20,834,966
Total Liabilities and Fund Balance	\$ 15,096,320	\$ 6,560,952	\$ 3,418,635	\$ 2,581,119	\$ 27,657,026

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance - governmental funds \$ 20,834,966

Amounts reported for governmental funds are different than
the statement of net position because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. These assets
consist of:

Land	\$ 1,219,959	
Construction in Progress	8,235,530	
Depreciable Assets, net	<u>34,472,357</u>	43,927,846

Deferred outflows and inflows of resources are not reported because
they are applicable to future periods. Deferred outflows and inflows
of resources at year-end consist of:

Deferred Outflows of Resources - Deferred Charge on Refunding	503,464	
Deferred Outflows of Resources - Pensions	4,376,575	
Deferred Inflows of Resources - Pensions	<u>(13,668,517)</u>	(8,788,478)

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in governmental funds. Long-
term liabilities at year-end consist of:

General Obligation Bonds, including accreted interest and premium	(40,160,787)	
Compensated Absences	(467,814)	
Net Pension Liability	(49,165,077)	
Other Postemployment Benefits other than Pensions (OPEB)	<u>(7,788,858)</u>	(97,582,536)

Accrued interest on long term debt, that is the amount of interest due
from the last payment made until the end of the fiscal period June 30,
2015, consist of:

Interest due on General Obligation Bonds	<u>(667,936)</u>
--	------------------

Total net position - governmental activities \$ (42,276,138)

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local Control Funding Formula Sources					
State Apportionments	\$ 55,927,845	\$	\$	\$	\$ 55,927,845
Local Sources	5,765,456				5,765,456
Total Local Control Funding Formula Sources	<u>61,693,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,693,301</u>
Federal Sources	4,407,301			4,113,276	8,520,577
Other State Sources	6,408,154		23,460	347,888	6,779,502
Other Local Sources	5,330,229	14,945	2,696,688	174,832	8,216,694
Total Revenues	<u>77,838,985</u>	<u>14,945</u>	<u>2,720,148</u>	<u>4,635,996</u>	<u>85,210,074</u>
Expenditures					
Instruction	51,594,684				51,594,684
Instruction - Related Services	8,730,477				8,730,477
Pupil Services	4,027,661			4,188,602	8,216,263
General Administration	3,308,645			180,741	3,489,386
Community Services	622,516				622,516
Plant Services	8,680,390	7,542,687		471,170	16,694,247
Other Outgo	1,946,974				1,946,974
Debt Service			2,512,713		2,512,713
Total Expenditures	<u>78,911,347</u>	<u>7,542,687</u>	<u>2,512,713</u>	<u>4,840,513</u>	<u>93,807,260</u>
Excess (deficiency) of revenues over expenditures	<u>(1,072,362)</u>	<u>(7,527,742)</u>	<u>207,435</u>	<u>(204,517)</u>	<u>(8,597,186)</u>
Other Financing Sources					
Proceeds from Bond Issuance		11,000,000	655,777		11,655,777
Total Other Financing Sources	<u>-</u>	<u>11,000,000</u>	<u>655,777</u>	<u>-</u>	<u>11,655,777</u>
Net changes in fund balance	(1,072,362)	3,472,258	863,212	(204,517)	3,058,591
Fund Balance - Beginning of Year	<u>10,678,318</u>	<u>2,107,282</u>	<u>2,555,423</u>	<u>2,435,352</u>	<u>17,776,375</u>
Fund Balance - End of Year	<u>\$ 9,605,956</u>	<u>\$ 5,579,540</u>	<u>\$ 3,418,635</u>	<u>\$ 2,230,835</u>	<u>\$ 20,834,966</u>

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Net change in fund balance-total governmental funds \$ 3,058,591

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report the proceeds from the disposal of capital assets as revenue.

In the statement of activities, only the resulting gain or loss is reported

 Net loss on equipment (695,000)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 10,863,103	
Depreciation Expense	<u>(2,405,347)</u>	
Excess of Capital Outlay over Depreciation Expense		8,457,756

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditures.

General Obligation Bond Proceeds	(11,000,000)	
General Obligation Bond Principal Payments, including accreted interest payments	<u>1,790,000</u>	(9,210,000)

Pension contributions made during the fiscal year are removed from fund expenses and are recorded as a deferred outflows of resources. This amount will be recognized as a reduction of the net pension liability in the subsequent year.

330,467

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net Decrease in Accrued Interest	(196,310)	
Net Increase in Accreted Interest	(392,029)	
Net Increase on Premium on General Obligation Bonds	(907,029)	
Net Decrease in Early Retiree Incentive	61,200	
Net Increase in Postemployment Benefits other than Pensions (OPEB)	(1,112,300)	
Net Increase in Compensated Absences	(34,075)	
Net Decrease in Deferred Charge on Refunding Bonds	<u>(33,564)</u>	<u>(2,614,107)</u>

Change in net position of governmental activities \$ (672,293)

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash in County Treasury	\$ 104,942
Accounts Receivable	72
Total Assets	<u>105,014</u>
<u>Liabilities</u>	
Accounts Payable	2,913
Total Liabilities	<u>2,913</u>
<u>Net Position</u>	
Unrestricted	102,101
Total Net Position	<u>\$ 102,101</u>

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2015

	<u>Associated Student Body Funds</u>
Additions	
Other Local Sources	\$ 236,709
Total Additions	<u>236,709</u>
Deductions	
Other Expenses	<u>209,224</u>
Total Deductions	<u>209,224</u>
Change in net position	27,485
Net Position - Beginning of Year	<u>74,616</u>
Net Position - End of Year	<u><u>\$ 102,101</u></u>

See the accompanying notes to the financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

A. BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

1. Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. 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. Depreciation and interest expense have not been allocated to specific functions.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

General administration – includes data processing services and all other general administration services.

Community services – includes activities that provide services to community participants other than students.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other outgo – includes transfers to other agencies.

Debt service – includes principal and interest payments for long term debt.

The fiduciary fund expenditures are presented by natural classification.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING:

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

GOVERNMENTAL FUNDS - MAJOR

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

Building Fund – used to account for repairs, construction and/or acquisition of major capital facilities; acquisition, retro-fitting, and operation of real property; proceeds of general obligation bonds. The District's building fund is used to account for bond issuance sources and expenditures in accordance with State of California Proposition 39 and related State legislation requirements.

Debt Service Fund – used to account for the financial resources that are restricted and the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. The District maintained the Bond Interest and Redemption Fund which is used to account for the payment of principal and interest on general obligation bonded debt.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR

Special Revenue Fund - used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The District maintained one Special Revenue Fund.

Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Projects Fund - used to account for the financial resources that are restricted for the acquisition and/or construction of major governmental general fixed assets. The District maintained one Capital Projects Fund.

Capital Facilities Fund - used to account for resources received from residential and commercial developer impact fees.

FIDUCIARY FUNDS

Associated Student Body Funds - used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operates three Associated Student Body funds.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. 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. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

3. Inventories

Inventories are presented at cost and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2015, the inventory for supplies is \$74,918. The inventory for food is \$22,152.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets (continued)

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	5-10 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

6. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applied to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred charge on refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt.

Deferred outflows – pension contributions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflows related to pensions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

7. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

8. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

9. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

9. Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Net Pension Liability

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

11. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized to pension expense over closed periods ranging from 3.9 to 5 years.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

12. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

13. Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws/ regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has no committed balances.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

13. Fund Balance Classification (continued)

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action, has given authority to the Superintendent or designee to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

14. Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

15. Minimum Fund Balance Policy

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District, before recording the on-behalf payments as described in Note 1C18, has maintained a Reserve for Economic Uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses (the recording of on-behalf payments has no effect on fund balance). These amounts represent the minimum recommended reserve consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

16. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

17. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the Government-wide financial statements.

18. On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District for STRS has been recorded in the fund financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

19. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

20. Estimates

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

D. REPORTING ENTITY:

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2015, the District's bank balance of \$158,525 was not exposed to credit risk.

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of pooled investments at June 30, 2015 is measured at 99.9% of amortized cost.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

Deposits (continued)

Cash in County (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted 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. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 4 – INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2015 are temporary loans and are detailed as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 181,151	\$ 2,412,245
Special Revenue Funds:		
Cafeteria Fund	9,453	181,151
Capital Projects Funds:		
Building Fund	<u>2,402,792</u>	<u> </u>
Totals	<u>\$ 2,593,396</u>	<u>\$ 2,593,396</u>

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 – FUND BALANCES:

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 11,000	\$	\$	\$	\$ 11,000
Stores	74,917			22,152	97,069
Prepaid expenditures	<u>10,819</u>				<u>10,819</u>
Total Nonspendable	<u>96,736</u>	<u>-</u>	<u>-</u>	<u>22,152</u>	<u>118,888</u>
Restricted					
Educational programs	278,697				278,697
Cafeteria program				1,800,668	1,800,668
Construction projects		5,579,540		408,015	5,987,555
Debt service			3,418,635		3,418,635
Total Restricted	<u>278,697</u>	<u>5,579,540</u>	<u>3,418,635</u>	<u>2,208,683</u>	<u>11,485,555</u>
Assigned					
Instructional materials	3,519,815				3,519,815
Technology	<u>3,400,000</u>				<u>3,400,000</u>
Total Assigned	<u>6,919,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,919,815</u>
Unassigned					
Economic uncertainties	<u>2,310,708</u>				<u>2,310,708</u>
Total Unassigned	<u>2,310,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,310,708</u>
Total Fund Balance	<u><u>\$ 9,605,956</u></u>	<u><u>\$ 5,579,540</u></u>	<u><u>\$ 3,418,635</u></u>	<u><u>\$ 2,230,835</u></u>	<u><u>\$ 20,834,966</u></u>

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – GENERAL OBLIGATION BONDS:

On March 4, 1997, the voters approved the issuance of bonds not to exceed \$4,700,000 for the purpose of renovating and modernizing school facilities. Between 1998 and 2000, the District issued bonds, Series A through B, totaling \$4,696,167.

On June 6, 2000, the voters approved the issuance of bonds not to exceed \$6,950,000 for the purpose of renovating and modernizing school facilities. Between 2000 and 2002, the District issued bonds, Series A through B, totaling \$6,948,545. In 2011, the District issued refunding bonds. The proceeds of the 2011 Refunding Bond were used to retire Series A and portions of Series B.

On November 2, 2004, the voters approved the issuance of bonds not to exceed \$17,100,000 (Measure I) for various purposes including renovating and modernizing school facilities. Between 2005 and 2007, the District issued bonds, Series A through B, totaling \$17,099,996. On May 2, 2014, the District issued refunding bonds. The proceeds of the 2011 Refunding Bond were used to retire Series A bonds.

On November 6, 2012, the voters approved the issuance of bonds not to exceed \$19,600,000 (Measure T) for various purposes including renovating and modernizing school facilities and paying related costs. On May 16, 2013, the District issued bonds, Series A, totaling \$4,000,000. On February 3, 2015, the District issued bonds, Series B, totaling \$11,000,000.

Capital appreciation bonds issued for Election 1997, Series A and Series B have maturity dates from August 1, 2011 through June 1, 2023 and August 1, 2013 through May 1, 2024 respectively; Election 2000, Series B has maturity dates from August 1, 2017 through August 1, 2023; and Election 2004, Series B has maturity dates from August 1, 2030 through August 1, 2032. Prior to the maturity date, the bonds will accrete interest on the principal component. In 2014-15, accreted interest accrued and included as an addition in the long-term debt schedule is \$392,029 and accreted interest paid and included as a deduction in the long-term debt schedule is \$197,217. As of June 30, 2015, \$3,530,116 of accreted interest is outstanding.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – GENERAL OBLIGATION BONDS: (continued)

The outstanding bonded debt of Hueneme Elementary School District at June 30, 2015 is:

	Date of Issue	Interest Rate %	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
Election 1997							
Series A	06/01/98	4.50 - 5.40	\$ 2,085,011	\$ 606,242	\$	\$ 72,128	\$ 534,114
Series B	05/01/99	4.20 - 5.20	2,611,156	864,352		95,654	768,698
Election 2000							
Series B	06/01/02	4.00 - 6.00	3,563,545	1,138,545		-	1,138,545
Election 2004							
Series A	07/01/05	3.63 - 5.00	9,500,000	425,000		195,000	230,000
Series B	07/27/07	4.00 - 6.86	7,599,996	7,164,996		140,000	7,024,996
Election 2012							
Series A	05/16/13	3.00 - 4.00	4,000,000	4,000,000		605,000	3,395,000
Series B	2/3/2015	2.00 - 4.00	11,000,000	-	11,000,000		11,000,000
Refunding Bonds							
Election 2000	09/27/11	2.00 - 3.25	3,980,000	3,220,000		375,000	2,845,000
Election 2004, Series A	05/02/14	3.25	8,700,000	8,700,000		110,000	8,590,000
			<u>\$ 53,039,708</u>	<u>\$ 26,119,135</u>	<u>\$ 11,000,000</u>	<u>\$ 1,592,782</u>	<u>\$ 35,526,353</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Principal	Interest	Accreted Interest	Total
2016	\$ 1,712,682	\$ 1,383,363	\$ 212,318	\$ 3,308,363
2017	1,868,401	1,343,421	221,599	3,433,421
2018	1,128,167	1,472,293	391,833	2,992,293
2019	1,215,333	1,464,345	414,667	3,094,345
2020	1,303,358	1,452,117	436,642	3,192,117
2021-2025	8,139,435	6,761,039	2,365,565	17,266,039
2026-2030	9,818,980	3,561,044	746,019	14,126,043
2031-2035	5,044,997	5,388,704	3,815,004	14,248,705
2036-2038	5,295,000	698,125		5,993,125
	<u>\$ 35,526,353</u>	<u>\$ 23,524,451</u>	<u>\$ 8,603,647</u>	<u>\$ 67,654,451</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds premium is amortized using the straight-line method. Amortization of \$52,303 was recognized during the 2014-15 year and the unamortized bond premium as of June 30, 2015 is \$1,104,318.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES:

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

	Balance			Balance	Due in
	June 30, 2014*	Additions	Deletions	June 30, 2015	One Year
Government-Wide:					
General Obligation Bonds	\$ 26,119,135	\$ 11,000,000	\$ 1,592,782	\$ 35,526,353	\$ 1,712,682
Accreted Interest on General Obligation Bonds	3,335,304	392,029	197,217	3,530,116	212,318
General Obligation Bond Premium	197,289	\$ 959,332	52,303	1,104,318	
Early Retirement Program	61,200		61,200	-	
Net Pension Liability	62,267,287		13,102,210	49,165,077	
Other Postemployment Benefits Other than Pensions (OPEB)	6,676,558	1,112,300		7,788,858	
Compensated Absences	433,739	34,075		467,814	
	<u>\$ 99,090,512</u>	<u>\$ 13,497,736</u>	<u>\$ 15,005,712</u>	<u>\$ 97,582,536</u>	<u>\$ 1,925,000</u>

*The beginning balance has been restated to add the net pension liability in accordance with GASB Statements No. 68 and NO. 71. See Note 13.

The early retirement program, net pension liability, other post-employment benefits other than pensions and compensated absences are liquidated by the funds recording the associated salary expenses. The general obligation bonds are liquidated through property tax collections as administered by the County through the Debt Service Fund.

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

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

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 1,219,959	\$	\$	\$ 1,219,959
Construction in Progress	433,941	8,234,030	432,441	8,235,530
Total Capital Assets Not Being Depreciated:	<u>1,653,900</u>	<u>8,234,030</u>	<u>432,441</u>	<u>9,455,489</u>
Capital Assets Being Depreciated:				
Site Improvements	7,820,941	1,059,573		8,880,514
Building and Improvements	52,397,661	1,665,207		54,062,868
Machinery, Equipment and Vehicles	3,601,932	336,734	773,703	3,164,963
Total Capital Assets Before Depreciation:	<u>63,820,534</u>	<u>3,061,514</u>	<u>773,703</u>	<u>66,108,345</u>
Less Accumulated Depreciation:				
Site Improvements	3,943,458	414,477		4,357,935
Building and Improvements	23,047,539	1,859,570		24,907,109
Machinery, Equipment and Vehicles	2,318,347	131,300	78,703	2,370,944
Total Accumulated Depreciation	<u>29,309,344</u>	<u>2,405,347</u>	<u>78,703</u>	<u>31,635,988</u>
Total Capital Assets Net of Depreciation:	<u>34,511,190</u>	<u>656,167</u>	<u>695,000</u>	<u>34,472,357</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,165,090</u>	<u>\$ 8,890,197</u>	<u>\$ 1,127,441</u>	<u>\$ 43,927,846</u>

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT PLANS:

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

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

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 40,321,530	\$ 3,320,260	\$ 9,929,100	\$ 3,481,050
CalPERS	<u>8,843,547</u>	<u>1,056,315</u>	<u>3,739,417</u>	<u>544,399</u>
Totals	<u>\$ 49,165,077</u>	<u>\$ 4,376,575</u>	<u>\$ 13,668,517</u>	<u>\$ 4,025,449</u>

The details of each plan are as follows:

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

Benefits Provided (continued)

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$3,320,260.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

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

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

District proportionate share of net pension liability	\$ 40,321,530
State's proportionate share of the net pension liability associated with the District	<u>24,348,125</u>
 Total	 <u><u>\$ 64,669,655</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0.0690%.

For the year ended June 30, 2015, the District recognized pension expense of \$3,481,050, including expense and revenue of \$2,102,029, for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,320,260	\$
Net differences between projected and actual earnings on plan investments		<u>9,929,100</u>
Total	<u><u>\$ 3,320,260</u></u>	<u><u>\$ 9,929,100</u></u>

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed 5-year period and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 2,482,275
2017	2,482,275
2018	2,482,275
2019	2,482,275
	<u>\$ 9,929,100</u>

Actuarial Methods and Assumptions

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)

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

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 62,850,720
Current discount rate (7.60%)	40,321,530
1% increase (8.60%)	21,536,280

Plan Fiduciary Net Position

Detailed information about CalSTRS plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$1,056,315.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,843,547. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0779%.

For the year ended June 30, 2015, the District recognized pension expense of \$544,399. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,056,315	\$
Changes in proportion		700,675
Net differences between projected and actual earnings on plan investments		3,038,742
Total	\$ 1,056,315	\$ 3,739,417

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over closed periods ranging from 3.9 to 5 years and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 1,001,298
2017	1,001,298
2018	977,137
2019	759,684
	<u>\$ 3,739,417</u>

Actuarial Methods and Assumptions

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

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Discount Rate (continued)

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 15,513,600
Current discount rate (7.50%)	8,843,547
1% increase (8.50%)	3,270,045

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the plan). The plan provides health, dental and vision benefits to eligible retirees and their dependents. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes the cost of current year premiums up to the capped amount for active employees for eligible retired plan members and their dependents as applicable. For fiscal year ended 2015, the District contributed \$953,900 to the plan for current year premiums.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$ 2,044,200
Interest on net OPEB obligation	300,400
Adjustment to annual required contribution	<u>(278,400)</u>
Annual OPEB cost (expense)	2,066,200
Contributions made	<u>(953,900)</u>
Change in net OPEB obligation	1,112,300
Net OPEB obligation - beginning of year	<u>6,676,558</u>
Net OPEB obligation - end of year	<u><u>\$ 7,788,858</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for each of the last three fiscal years is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$ 1,767,510	43.3%	\$ 5,771,468
6/30/2014	1,752,990	48.4%	6,676,558
6/30/2015	2,066,200	46.2%	7,788,858

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation performed, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$27,485,600. The covered payroll (annual payroll of active employees covered by the plan) was \$43,874,600, and the ratio of the UAAL to the covered payroll was 62.6%. Currently, the District is using the pay as you go method to fund the existing fiscal year payments.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits 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, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions (continued)

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of various levels reduced to an ultimate rate of 4.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percent of pay over a rolling 30 years. The remaining amortization period at June 30, 2015, was thirty years.

NOTE 11 – EARLY RETIREE INCENTIVE:

The District adopted an Early Retiree Incentive in 2012. Eligible employees 55 years of age or older that retired under STRS effective June 30, 2012 were provided a retirement incentive of \$25,000 per full-time equivalent (FTE). Payments were made on or before each November beginning in 2012 and the final payment was made in 2014-15 fiscal year.

NOTE 12 – JOINT POWERS AGREEMENTS:

The Hueneme Elementary School District participates in three joint powers agreement (JPA) entities, the Ventura County Schools' Self-Funding Authority (VCSSFA), Gold Coast Joint Benefits Trust public (GCJBT), and Ventura County Fast Action School Transit Authority (VCFAST).

VCSSFA provides workers' compensation, property and liability coverage for its member school districts through a varying combination of self-insurance and excess coverage. The Hueneme Elementary School District pays a premium commensurate with the level of coverage requested.

GCJBT arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 12 – JOINT POWERS AGREEMENTS: (continued)

VCFAST was established July 1, 1995 for the purpose of providing a county wide distribution system for carrying documents and materials to and from Ventura County Superintendent of Schools Office and participating public agencies.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Hueneme Elementary School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. VCSSFA, GCJBT and VCFAST maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the Hueneme Elementary School District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

The most recent condensed financial information is as follows:

	VCSSFA (Audited) <u>June 30, 2014</u>	VCFAST (Audited) <u>June 30, 2014</u>	GCJBT (Audited) <u>June 30, 2014</u>
Total Assets	<u>\$96,474,918</u>	<u>\$ 38,118</u>	<u>\$ 11,590,044</u>
Total Liabilities	<u>\$58,139,911</u>	<u>\$ 19,173</u>	<u>\$ 4,564,807</u>
Total Net Assets	<u>\$38,335,007</u>	<u>\$ 18,945</u>	<u>\$ 7,025,237</u>
Total Revenues	<u>\$20,523,738</u>	<u>\$ 114,876</u>	<u>\$ 50,233,238</u>
Total Expenditures	<u>\$20,902,216</u>	<u>\$ 105,954</u>	<u>\$ 54,173,600</u>

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 13 – CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE NET POSITION:

The beginning net position of the government-wide financial statements has been decreased by \$58,787,487 to recognize the beginning balance of the net pension liability of (\$62,267,287) and deferred outflows of resources of \$3,479,800 resulting from the implementation of GASB Statements No. 68 and No. 71.

The effect of this implementation has resulted in a negative unrestricted net position at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 fiscal year.

NOTE 14 – COMMITMENTS AND CONTINGENCIES:

A. Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

B. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

C. Purchase Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2,033,000. Projects will be funded through bond proceeds, Capital Facilities and General funds.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 15 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2015 that have future effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 72 – Fair Value Measurement and Application

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015-16.

Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 15 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

***Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits
Other Than Pensions***

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

***GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting
Principles for State and Local Governments***

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015-16.

GASB Statement No. 77 – Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

HUENEME ELEMENTARY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts - General Fund		Actual Amounts GAAP Basis
	Original	Final (a)	General Fund (a)
Revenues			
Local Control Funding Formula:			
State Apportionments	\$ 36,182,856	\$ 56,172,435	\$ 55,927,845
Local Sources	4,767,769	5,460,113	5,765,456
Total Local Control Funding Formula Sources	40,950,625	61,632,548	61,693,301
Federal Sources	5,204,801	4,864,828	4,407,301
Other State Sources	11,194,733	6,396,798	6,408,154
Other Local Sources	3,675,128	4,855,328	5,330,229
Total Revenues	<u>61,025,287</u>	<u>77,749,502</u>	<u>77,838,985</u>
Expenditures			
Certificated Salaries	32,830,309	38,763,446	38,314,562
Classified Salaries	7,527,006	9,767,270	9,652,219
Employee Benefits	11,669,724	16,344,549	16,420,295
Books and Supplies	3,597,681	5,126,171	4,545,537
Contracted Services	5,238,581	6,246,196	5,617,471
Capital Outlay	24,000	327,560	2,595,031
Tuition and Other Outgo	1,770,000	2,115,293	1,946,973
Direct Support - Indirect Costs	(165,559)	(165,559)	(180,741)
Total Expenditures	<u>62,491,742</u>	<u>78,524,926</u>	<u>78,911,347</u>
Net change in fund balance	<u>\$ (1,466,455)</u>	<u>\$ (775,424)</u>	(1,072,362)
Fund Balance - Beginning of Year			<u>10,678,318</u>
Fund Balance - End of Year			<u>\$ 9,605,956</u>

(a) Amounts have been revised to reflect the recording of state on-behalf payments to CalSTRS.

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ -	\$ 19,720,300	\$ 19,720,300	0.0%	\$ 45,705,200	43.1%
6/30/2012	-	20,744,800	20,744,800	0.0%	42,219,700	49.1%
6/30/2014	-	27,485,600	27,485,600	0.0%	43,874,600	62.6%

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.0690%
District's proportionate share of the net pension liability (asset)	\$ 40,321,530
State's proportionate share of the net pension liability (asset) associated with the District	24,348,125
Total	<u>\$ 64,669,655</u>
District's covered-employee payroll*	\$ 34,189,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	117.94%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

* Amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

Note: Accounting standards require the presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.0779%
District's proportionate share of the net pension liability (asset)	<u>\$ 8,843,547</u>
District's covered-employee payroll*	\$ 8,177,000
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	83.37%

* Amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

Note: Accounting standards require the presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 3,320,260
Contributions in relation to the contractually required contribution	<u>3,320,260</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 37,390,000
Contributions as a percentage of covered-employees	8.88%

Note: Accounting standards require the presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future date becomes available.

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 1,056,313
Contributions in relation to the contractually required contribution	<u>1,056,313</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 8,974,000
Contributions as a percentage of covered-employees	11.77%

Note: Accounting standards require the presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future date becomes available.

See the accompanying notes to the required supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year-end and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

B. Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

C. Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

D. Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the following funds:

General Fund:

Employee Benefits	\$ 75,746
Capital Outlay	2,267,471

SUPPLEMENTARY INFORMATION

HUENEME ELEMENTARY SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2015

The Hueneme Elementary School District was established in 1873 and consists of an area comprising approximately eight square miles. The Districts operates nine elementary schools and two junior high schools. There were no boundary changes during the year.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2015 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Vianey Lopez	President	December 2016
Scott E. Swenson	Clerk	December 2018
Bexy I. Gomez	Member	December 2018
Rafael (Ralph) Ramos	Member	December 2016
Dr. Charles Weis	Member	December 2018

DISTRICT ADMINISTRATORS

Dr. Jerry Dannenberg	Superintendent
Deborah DeSmeth	Assistant Superintendent, Human Resources and Educational Services
Dr. Christine Walker	Assistant Superintendent, Business Services
Denise Hicklin	Senior Director, Pupil Support Services
Irma Villanueva	Senior Director, Educational Projects
David Ragsdale	Senior Director, Technology
Raven Aipa	Senior Director, After School Programs

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2015**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the State for the fiscal year ended June 30, 2015 are as follows:

	<u>Revised Second Period</u>	<u>Annual</u>
Grades Kindergarten through third		
Regular ADA	3,918	3,912
Extended year special education	3	3
Special education - nonpublic, nonsectarian schools	<u>9</u>	<u>8</u>
Total grades kindergarten through third ADA	<u>3,930</u>	<u>3,923</u>
 Grades four through six		
Regular ADA	2,695	2,684
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades four through Six ADA	<u>2,699</u>	<u>2,688</u>
 Grades seven and eight		
Regular ADA	1,561	1,555
Extended year special education	<u>1</u>	<u>1</u>
Total grades seven and eight ADA	<u>1,562</u>	<u>1,556</u>
 Total ADA	<u><u>8,191</u></u>	<u><u>8,167</u></u>

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Fiscal Year Ended June 30, 2015

Grade Level	2014-15 Minutes			Number of Days Traditional Calendar	Status
	Normal Requirement	Reduced Requirement	Actual Minutes		
Kindergarten	36,000	35,000	36,075	180	In Compliance
Grade 1	50,400	49,000	50,608	180	In Compliance
Grade 2	50,400	49,000	50,608	180	In Compliance
Grade 3	50,400	49,000	50,608	180	In Compliance
Grade 4	54,000	52,500	54,192	180	In Compliance
Grade 5	54,000	52,500	54,192	180	In Compliance
Grade 6	54,000	52,500	54,192	180	In Compliance
Grade 7	54,000	52,500	55,407	180	In Compliance
Grade 8	54,000	52,500	55,407	180	In Compliance

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

<u>PROGRAM NAME</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Categorical Aid Programs:			
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Pass-Through California Department of Education:			
Child Nutrition Cluster			
California Department of Education Especially Needy Breakfast	10.553	13526	\$ 1,128,790
California Department of Education-Meal Supplements	10.553	13396	134,627
National School Lunch Program	10.555	13524	2,849,859
Total U.S Department of Agriculture			<u>4,113,276</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct:			
Support for Student Achievement	12.556		5,425
Total U.S. Department of Defense			<u>5,425</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
Impact Aid	84.041	10015	268,085
			<u>268,085</u>
Pass-Through California Department of Education:			
No Child Left Behind:			
Title I, Part A, Basic Grants Low Income and Neglected	84.01	14329	1,570,065
Title II, Part A, Improving Teacher Quality	84.367	14341	405,369
Title III, Limited English Proficient Children	84.365	14346	245,180
Special Education Cluster:			
IDEA	84.027	13379	1,380,634
IDEA Preschool Local Entitlement, Part B Section 611	84.027A	13682	122,875
IDEA Federal Preschool Grants	84.173	13430	57,043
Total Special Education			<u>1,560,552</u>
Total U.S. Department of Education			<u>4,049,251</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	\$ 432,639
Total U.S. Department of Health and Human Services			<u>432,639</u>
Total Federal Program Expenditures			<u>\$ 8,600,591</u>
<u>Reconciliation to Federal Revenue</u>			
Total Federal Program Expenditures			\$ 8,600,591
Revenues in excess of expenditures related to Federal entitlement			
Medi-Cal Administrative Activities	93.778	10060	55,779
Expenditures in excess of revenues related to Federal entitlement			
Medi-Cal Billing Option	93.778	10013	<u>(135,793)</u>
Total Federal Program Revenue			<u>\$ 8,520,577</u>

The District is the recipient of a federal award program that does not result in cash receipts or disbursements.
The District was granted \$158,274 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

	<u>(Budget) 2016</u>		<u>2015**</u>		<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>GENERAL FUND:</u>								
<u>Revenue</u>								
Local Control Funding Formula Sources***	\$ 72,724,872	82.8	\$ 61,693,301	78.2	\$ 53,124,292	78.6	\$ 40,728,771	64.6
Federal Sources	4,373,919	5.0	4,407,301	5.6	4,773,430	7.1	5,743,393	9.1
Other State Sources***	10,935,502	12.4	6,408,154	8.1	5,728,246	8.5	11,477,285	18.2
Other Local Sources	<u>3,624,686</u>	<u>4.1</u>	<u>5,330,229</u>	<u>6.8</u>	<u>4,586,788</u>	<u>6.8</u>	<u>4,449,845</u>	<u>7.1</u>
Total Revenue	<u>91,658,979</u>	<u>104.3</u>	<u>77,838,985</u>	<u>98.7</u>	<u>68,212,756</u>	<u>101.0</u>	<u>62,399,294</u>	<u>99.0</u>
<u>Expenditures</u>								
Certificated Salaries	41,586,914	47.3	38,314,562	48.6	34,929,274	51.7	33,241,779	52.7
Classified Salaries	9,995,631	11.4	9,652,219	12.2	8,652,624	12.8	8,370,431	13.3
Employee Benefits	18,012,513	20.5	16,420,295	20.8	12,871,482	19.0	12,616,718	20.0
Books and Supplies	6,463,542	7.4	4,545,537	5.8	3,309,177	4.9	2,164,758	3.4
Services and Other Operating Expenses	5,137,127	5.8	5,617,471	7.1	5,812,677	8.6	5,092,348	8.1
Capital Outlay	4,944,805	5.6	2,595,031	3.3	320,744	0.5	23,469	-
Outgoing Tuition	1,892,400	2.2	1,946,973	2.4	1,864,818	2.7	1,756,626	2.8
Indirect Costs	<u>(166,014)</u>	<u>(0.2)</u>	<u>(180,741)</u>	<u>(0.2)</u>	<u>(157,447)</u>	<u>(0.2)</u>	<u>(173,490)</u>	<u>(0.3)</u>
Total Expenditures	<u>87,866,918</u>	<u>100.0</u>	<u>78,911,347</u>	<u>100.0</u>	<u>67,603,349</u>	<u>100.0</u>	<u>63,092,639</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 3,792,061</u>	<u>4.3</u>	<u>\$ (1,072,362)</u>	<u>(1.4)</u>	<u>\$ 609,407</u>	<u>0.9</u>	<u>\$ (693,345)</u>	<u>(1.1)</u>
Ending Fund Balance	<u>\$ 13,398,017</u>	<u>15.2</u>	<u>\$ 9,605,956</u>	<u>12.2</u>	<u>\$ 10,678,318</u>	<u>15.8</u>	<u>\$ 10,068,911</u>	<u>16.0</u>
Available Reserve*	<u>\$ 5,467,187</u>	<u>6.2</u>	<u>\$ 2,310,708</u>	<u>2.9</u>	<u>\$ 3,715,218</u>	<u>5.5</u>	<u>\$ 1,892,780</u>	<u>3.0</u>
Recommended Reserve Percentage		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>
Average Daily Attendance	<u>8,183</u>		<u>8,191</u>		<u>8,190</u>		<u>8,061</u>	
Total Long-Term Debt	<u>\$ 95,657,536</u>		<u>\$ 97,582,536</u>		<u>\$ 36,823,225</u>		<u>\$ 36,090,320</u>	

IMPORTANT NOTES:

*Available reserves are those amounts designated for economic uncertainty, and any other remaining unassigned fund balances from the General Fund. See Note 1C15 for additional information.

All percentages are of total expenditures.

2016 Budget is the budget approved on June 22, 2015.

** In 2015, the District adopted GASB Statements No. 68 and No. 71 (see Note 13) and began recognizing the state's on-behalf payments which affected revenues and expenses. Previous years have not been restated to reflect these changes, nor the recognition of pension liabilities in long-term debt.

*** In 2013/14, the state changed its primary funding method from revenue limit to local control funding formula (LCFF), which combined the previous revenue limit and other state funding sources (Tier III Categorical, Class Size Reduction, and Economic Impact Aid) into the local control funding formula.

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2015**

Hueneme Elementary School District is not the granting agency for any Charter Schools.

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

There were no differences between the fund balances reported on the June 30, 2015 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

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

B. Schedule of Instructional Time

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

C. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

D. Schedule of Financial Trends and Analysis

The *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Charter Schools

The *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

HUENEME ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

HUENEME ELEMENTARY SCHOOL DISTRICT

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2015

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>			
Cash in County Treasury	\$ 1,296,427	\$ 415,288	\$ 1,711,715
Accounts Receivable:			
Federal and State Governments	836,093		836,093
Miscellaneous	1,332	374	1,706
Due from Other Funds	9,453		9,453
Stores	22,152		22,152
Total Assets	<u>\$ 2,165,457</u>	<u>\$ 415,662</u>	<u>\$ 2,581,119</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	\$ 161,486	\$ 7,647	\$ 169,133
Due to Other Funds	181,151		181,151
Total Liabilities	<u>342,637</u>	<u>7,647</u>	<u>350,284</u>
Fund Balance			
Nonspendable	22,152		22,152
Restricted	1,800,668	408,015	2,208,683
Total Fund Balance	<u>1,822,820</u>	<u>408,015</u>	<u>2,230,835</u>
Total Liabilities and Fund Balance	<u>\$ 2,165,457</u>	<u>\$ 415,662</u>	<u>\$ 2,581,119</u>

See the accompanying notes to the optional supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015**

	Cafeteria Fund	Capital Facilities Fund	Total Other Governmental Funds
Revenues			
Federal Sources	\$ 4,113,276	\$	\$ 4,113,276
Other State Sources	347,888		347,888
Other Local Sources	93,988	80,844	174,832
Total Revenues	<u>4,555,152</u>	<u>80,844</u>	<u>4,635,996</u>
Expenditures			
Pupil Services	4,188,602		4,188,602
General Administration	180,741		180,741
Plant Services	305,674	165,496	471,170
Total Expenditures	<u>4,675,017</u>	<u>165,496</u>	<u>4,840,513</u>
Net changes in fund balance	(119,865)	(84,652)	(204,517)
Fund Balance - Beginning of Year	<u>1,942,685</u>	<u>492,667</u>	<u>2,435,352</u>
Fund Balance - End of Year	<u>\$ 1,822,820</u>	<u>\$ 408,015</u>	<u>\$ 2,230,835</u>

See the accompanying notes to the optional supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015**

	Associated Student Body Funds			
	Charles F. Blackstock Junior High School	E.O. Green Junior High School	Elementary Schools	Total (Memorandum Only)
<u>Assets</u>				
Cash in County Treasury	\$ 15,886	\$ 32,720	\$ 56,336	\$ 104,942
Accounts Receivable	7	31	34	72
Total Assets	15,893	32,751	56,370	105,014
<u>Liabilities</u>				
Accounts Payable	-	115	2,798	2,913
Total Liabilities	-	115	2,798	2,913
<u>Net Position</u>				
Unrestricted	15,893	32,636	53,572	102,101
Total Net Position	\$ 15,893	\$ 32,636	\$ 53,572	\$ 102,101

See the accompanying notes to the optional supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2015**

	<u>Associated Student Body Funds</u>			<u>Total (Memorandum Only)</u>
	<u>Charles F. Blackstock Junior High School</u>	<u>E.O. Green Junior High School</u>	<u>Elementary Schools</u>	
Additions				
Other Local Sources	\$ 52,935	\$ 76,014	\$ 107,760	\$ 236,709
Total Additions	<u>52,935</u>	<u>76,014</u>	<u>107,760</u>	<u>236,709</u>
Deductions				
Other Expenses	45,702	71,882	91,640	209,224
Total Deductions	<u>45,702</u>	<u>71,882</u>	<u>91,640</u>	<u>209,224</u>
Changes in Net Position	7,233	4,132	16,120	27,485
Net Position - Beginning of Year	<u>8,660</u>	<u>28,504</u>	<u>37,452</u>	<u>74,616</u>
Net Position - End of Year	<u>\$ 15,893</u>	<u>\$ 32,636</u>	<u>\$ 53,572</u>	<u>\$ 102,101</u>

See the accompanying notes to the optional supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
ELEMENTARY SCHOOL ASSOCIATED STUDENT BODY FUNDS**

For the Fiscal Year Ended June 30, 2015

	<u>Net Position</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Position</u> <u>June 30, 2015</u>
Unrestricted	\$ 2,404	\$ 1,903	\$ 776	\$ 3,531
Bard	6,291	14,047	13,857	6,481
Beach	3,149	2,851	4,140	1,860
Hathaway	1,397	4,365	5,293	469
Haycox	6,934	13,865	15,971	4,828
Hueneme	796	16,708	9,373	8,131
Larsen	2,849	3,721	2,761	3,809
Parkview	7,928	13,704	12,769	8,863
Sunkist	1,577	31,679	22,379	10,877
Williams	<u>4,127</u>	<u>4,917</u>	<u>4,321</u>	<u>4,723</u>
	<u>\$ 37,452</u>	<u>\$ 107,760</u>	<u>\$ 91,640</u>	<u>\$ 53,572</u>

See the accompanying notes to the optional supplementary information.

HUENEME ELEMENTARY SCHOOL DISTRICT

**NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES:

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

Board of Education
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, California 93041

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hueneme Elementary School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2015



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

Board of Education
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, California 93041

Report on Compliance for Each Major Federal Program

We have audited Hueneme Elementary School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, California 93041

We have audited the Hueneme Elementary School District's (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 Education Audit Appeals Panel for the year ended June 30, 2015. The District's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No ¹
Continuation education	Not applicable
Instructional time	Yes
Instructional materials	Yes
Ratio of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Not applicable
GANN limit calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Regional Occupational Centers or Programs maintenance of effort	Not applicable
Adult Education maintenance of effort	Not applicable
California Clean Energy Jobs Act	No ²
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	No ³
Mode of instruction	No ³
Nonclassroom-based instruction/independent study	No ³
Determination of funding for nonclassroom-based instruction	No ³
Annual instructional minutes – classroom based	No ³
Charter School Facility Grant Program	No ³

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²We did not perform testing this procedure because for the fiscal period under audit, the District did not expend funds received.

³The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Hueneme Elementary School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

December 1, 2015

FINDINGS AND RECOMMENDATIONS

HUENEME ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS**

June 30, 2015

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
section .510(a) Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.367	Title II, Part A Improving Teacher Quality
84.041	Impact Aid
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2015

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2015.

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2015

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

HUENEME ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2015

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

HUENEME ELEMENTARY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

Original Finding No.	Finding	Code	Recommendation	Current Status
2014-001	<u>RECONCILIATION OF ACCOUNTS</u>	30000		
	Balance sheet accounts should be evaluated and reconciled as part of the closing process to verify whether the balance stated is appropriate. During our review of bank reconciliations, it was noted that there were monies deposited in cash clearing accounts that were not recorded as revenues in the District's financial system totaling \$79,121 in the General Fund and \$2,227 in the Cafeteria Fund. Review of bank reconciliations is not formally documented on the reconciliations.		We recommend that as part of the closing process, the District review bank reconciliations and verify that amounts not cleared to cash in county at fiscal year-end are included as revenue in the financial system. In addition, we recommend that the District documents on the reconciliation that review of the reconciliation prepared occurred.	Substantially implemented.
2014-002	<u>UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS</u>	40000		
	The District is not in compliance with Education code section 42238.02(b)(2). During the testing of the unduplicated count, we noted that one of the students initially selected for testing did not have the proper EL designation on the CalPADS report.		We recommend the District revise its CalPADS reporting accordingly and implement additional review procedures to ensure that errors are prevented on future CalPADS reporting.	Implemented.