

**DUCOR UNION ELEMENTARY
SCHOOL DISTRICT
COUNTY OF TULARE
DUCOR, CALIFORNIA
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

**M. GREEN AND COMPANY LLP
Certified Public Accountants
Visalia, CA 93277**

Introductory Section

Ducor Union Elementary School District
Audit Report
For the Year Ended June 30, 2015

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Management's Discussion and Analysis

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2015

INTRODUCTION

Our discussion and analysis of Ducor Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$546,097 at June 30, 2015. This was a decrease of \$1,171,234 (68.20%) from the prior year.
- ❑ Overall revenues were \$2,018,987 which was more than expenses of \$1,882,317 by \$136,670.
- ❑ Long-term debt has increased by \$1,216,734 due to the recognition of the net pension liability and a new capital lease.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- ❑ Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local Control Funding Formula (LCFF) and Federal and State grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- ❑ Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.
- ❑ Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others; for the District, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$546,097 at June 30, 2015. See Table 1.

Table 1:

	Governmental Activities		Total Percentage Change
	2015	2014	2015-2014
Assets:			
Cash	\$ 579,962	\$ 279,327	107.63%
Accounts Receivable	85,311	246,522	-65.39%
Capital Assets, Net of Accumulated Depreciation	1,492,056	1,413,043	5.59%
TOTAL ASSETS	<u>2,157,329</u>	<u>1,938,892</u>	11.27%
Deferred Outflows of Resources:			
Deferred Outflows of Resources - Pensions	86,300	-	100.00%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>86,300</u>	<u>-</u>	100.00%
Liabilities:			
Accounts Payable	99,601	108,608	-8.29%
Unearned Revenue	47,253	6,300	650.05%
Tax Revenue Anticipation Notes	-	75,000	-100.00%
Net Pension Liability	1,101,522	-	100.00%
Other Postemployment Benefit Obligation	46,580	31,653	47.16%
Long-Term Liabilities	100,285	-	100.00%
TOTAL LIABILITIES	<u>1,395,241</u>	<u>221,561</u>	529.73%
Deferred Inflows of Resources:			
Deferred Inflows of Resources - Pensions	302,291	-	100.00%
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>302,291</u>	<u>-</u>	100.00%
Net Position:			
Net Investment in Capital Assets	1,391,771	1,413,043	-1.51%
Restricted	179,881	184,232	-2.36%
Unrestricted	(1,025,555)	120,056	-954.23%
TOTAL NET POSITION	<u>\$ 546,097</u>	<u>\$ 1,717,331</u>	-68.20%

Changes in Net Position

The District's total revenues were \$2,018,987. A majority of the revenue comes from LCFF and property taxes (76%). Federal and State aid for specific programs accounted for another 18% of the total revenues.

The total cost of all programs and services was \$1,882,317. The District's expenses are predominately related to educating and caring for students (82%). Administrative activities accounted for just 7% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services and other outgo.

Table 2:
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2015	2014	2015-2014
Revenues:			
Program Revenues:			
Charges for Services	\$ 9,105	\$ 5,802	56.93%
Operating Grants & Contributions	346,602	369,453	-6.19%
Capital Grants & Contributions	340	1,004	-66.14%
General Revenues:			
LCFF Sources	1,544,446	1,336,239	15.58%
State Revenues	83,750	68,601	22.08%
Local Revenues	34,744	3,593	866.99%
TOTAL REVENUES	<u>2,018,987</u>	<u>1,784,692</u>	13.13%
Program Expenses:			
Instruction	1,014,188	952,985	6.42%
Instruction-Related Services	275,028	253,574	8.46%
Pupil Services	258,601	206,437	25.27%
Ancillary Services	10,684	8,403	27.15%
General Administration	125,407	138,465	-9.43%
Plant Services	196,297	160,985	21.93%
Other Outgo	2,112	8,149	-74.08%
TOTAL EXPENSES	<u>1,882,317</u>	<u>1,728,998</u>	8.87%
Excess (Deficiency)	136,670	55,694	145.39%
Prior Period Adjustment	(1,307,904)	-	-100.00%
INCREASE (DECREASE) IN NET POSITION	<u>\$ (1,171,234)</u>	<u>\$ 55,694</u>	-2202.98%

Governmental Activities

The cost of all governmental activities this year was \$1,882,317.

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants, and capital grants and contributions.

Table 3:
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net (Expense) Revenue		Total Percentage Change
	2015	2014	2015-2014	2015	2014	2015-2014
Instruction	\$ 1,014,188	\$ 952,985	6.42%	\$ (899,050)	\$ (806,661)	11.45%
Instruction-Related Services	275,028	253,574	8.46%	(266,737)	(242,360)	10.06%
Pupil Services	258,601	206,437	25.27%	(93,030)	(50,899)	82.77%
Ancillary Services	10,684	8,403	27.15%	(76)	(8,403)	-99.10%
General Administration	125,407	138,465	-9.43%	(125,407)	(137,591)	-8.86%
Plant Services	196,297	160,985	21.93%	(139,858)	(103,948)	34.55%
Other Outgo	2,112	8,149	-74.08%	(2,112)	(2,877)	-26.59%
TOTAL	\$ 1,882,317	\$ 1,728,998	8.87%	\$ (1,526,270)	\$ (1,352,739)	12.83%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$514,079.

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 9, 2015. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

The District received State funding for a modernization project of the aged school building. This project was substantially completed but there is some money left to finish the technology needs of those aging classrooms.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015 the District had invested \$1,492,056 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4:
Capital Assets

	Governmental Activities		Total Percentage
	2015	2014	Change 2015-2014
Land	\$ 7,000	\$ 7,000	0.00%
Improvement of Sites	135,086	135,086	0.00%
Buildings	1,575,561	1,575,561	0.00%
Machinery and Equipment	403,624	264,531	52.58%
Work in Progress	163,079	151,867	7.38%
Totals at Historical Cost	2,284,350	2,134,045	7.04%
Total Accumulated Depreciation	(792,294)	(721,002)	9.89%
NET CAPITAL ASSETS	\$ 1,492,056	\$ 1,413,043	5.59%

Long-Term Debt

At year end, the District had \$1,248,387 in debt, consisting of one capital lease, other postemployment benefit obligation and net pension liability, as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5:
Long-Term Debt

	Governmental Activities		Total Percentage
	2015	2014	Change 2015-2014
Capital Lease	\$ 100,285	\$ -	100.00%
Other Postemployment Benefit Obligation	46,580	31,653	47.16%
Net Pension Liability	1,101,522	-	100.00%
TOTAL LONG-TERM DEBT	\$ 1,248,387	\$ 31,653	3843.98%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- The District is projecting a slight increase in enrollment and ADA for the 2015-2016 school year.
- The governing board and District administration are aware of the difficulties they are facing for the next few school years, and continue to exercise extreme caution in planning the District budget and spending.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Isidro Rodriguez, Jr., Superintendent, at 23761 Avenue 56, Ducor, California 93218.

Financial Section



M. Green and Company LLP

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Independent Auditors' Report

Board of Trustees
Ducor Union Elementary School District
23761 Avenue 56
Ducor, California 93218

Members of the Board of Trustees:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ducor Union 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.

Emphasis of Matter

As described in Note 1 to the financial statements, Ducor Union Elementary School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

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 funding progress for OPEB benefits, schedule of Ducor Union Elementary School District's proportionate share of the net pension liability and schedule of Ducor Union Elementary School District's contributions on pages 1–7 and 38–42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ducor Union Elementary School District's basic financial statements. The accompanying other required supplementary schedules as other supplementary information as required by the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel are not a required part of the basic financial statements.

The other required supplementary schedules as supplementary information 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 other required supplementary schedules as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining statements presented as other supplementary information on pages 43 through 44 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of Ducor Union 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 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 Ducor Union Elementary School District's internal control over financial reporting and compliance.

M. Green and Company LLP

Visalia, California
December 7, 2015

Basic Financial Statements

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 578,862
Cash in Revolving Fund	1,100
Accounts Receivable	85,311
Capital Assets:	
Land	7,000
Land Improvements, Net	104,200
Buildings, Net	1,059,531
Equipment, Net	158,246
Work in Progress	163,079
Total Assets	<u>2,157,329</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	86,300
Total Deferred Outflows of Resources	<u>86,300</u>
LIABILITIES:	
Accounts Payable	99,601
Unearned Revenue	47,253
Noncurrent Liabilities:	
Net Pension Liability	1,101,522
Other Postemployment Benefit Obligation	46,580
Due within one year	24,204
Due in more than one year	76,081
Total Liabilities	<u>1,395,241</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	302,291
Total Deferred Inflows of Resources	<u>302,291</u>
NET POSITION:	
Net Investment in Capital Assets	1,391,771
Restricted For:	
Capital Projects	58,904
Legally Restricted Balances	115,452
Specific Programs	5,525
Unrestricted	<u>(1,025,555)</u>
Total Net Position	<u>\$ 546,097</u>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 1,014,188	\$ -	\$ 114,798	\$ 340	\$ (899,050)
Instruction-Related Services	275,028	-	8,291	-	(266,737)
Pupil Services	258,601	1,366	164,205	-	(93,030)
Ancillary Services	10,684	7,707	2,901	-	(76)
General Administration	125,407	-	-	-	(125,407)
Plant Services	196,297	32	56,407	-	(139,858)
Other Outgo	2,112	-	-	-	(2,112)
Total Governmental Activities	<u>1,882,317</u>	<u>9,105</u>	<u>346,602</u>	<u>340</u>	<u>(1,526,270)</u>
Total Primary Government	<u>\$ 1,882,317</u>	<u>\$ 9,105</u>	<u>\$ 346,602</u>	<u>\$ 340</u>	<u>(1,526,270)</u>
General Revenues:					
LCFF Sources					1,544,446
State Revenues					83,750
Local Revenues					<u>34,744</u>
Total General Revenues					<u>1,662,940</u>
Change in Net Position					136,670
Net Position - Beginning					1,717,331
Prior Period Adjustment					<u>(1,307,904)</u>
Net Position - Ending					<u>\$ 546,097</u>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2015

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 491,082	\$ 28,876	\$ 58,904	\$ 578,862
Cash in Revolving Fund	1,000	100	-	1,100
Accounts Receivable	64,250	21,061	-	85,311
Due from Other Funds	24,844	-	-	24,844
Total Assets	<u>\$ 581,176</u>	<u>\$ 50,037</u>	<u>\$ 58,904</u>	<u>\$ 690,117</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 84,273	\$ 19,668	\$ -	\$ 103,941
Due to Other Funds	-	24,844	-	24,844
Unearned Revenue	47,253	-	-	47,253
Total Liabilities	<u>131,526</u>	<u>44,512</u>	<u>-</u>	<u>176,038</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,000	100	-	1,100
Restricted Fund Balances	115,452	5,425	58,904	179,781
Unassigned:				
Reserve for Economic Uncertainty	85,000	-	-	85,000
Other Unassigned	248,198	-	-	248,198
Total Fund Balance	<u>449,650</u>	<u>5,525</u>	<u>58,904</u>	<u>514,079</u>
Total Liabilities and Fund Balances	<u>\$ 581,176</u>	<u>\$ 50,037</u>	<u>\$ 58,904</u>	<u>\$ 690,117</u>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances - governmental funds balance sheet	\$ 514,079
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,492,056
Payables for capital leases which are not due in the current period are not reported in the funds.	(100,285)
Other postemployment benefit liabilities which are not due and payable in the current period are not reported in the funds.	(42,240)
Net pension liability which is not due in the current period is not reported in the funds.	(1,101,522)
Pension related deferred inflows which are not due in current period are not reported in the funds.	(302,291)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>86,300</u>
Net position of governmental activities - Statement of Net Position	\$ <u>546,097</u>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,075,121	\$ -	\$ -	\$ 1,075,121
Education Protection Account Funds	255,900	-	-	255,900
Local Sources	213,425	-	-	213,425
Federal Revenue	116,222	154,840	-	271,062
Other State Revenue	137,901	12,600	-	150,501
Other Local Revenue	37,345	1,750	8,347	47,442
Total Revenues	<u>1,835,914</u>	<u>169,190</u>	<u>8,347</u>	<u>2,013,451</u>
Expenditures:				
Instruction	924,256	-	-	924,256
Instruction - Related Services	273,850	-	-	273,850
Pupil Services	205,103	192,696	-	397,799
Ancillary Services	10,684	-	-	10,684
General Administration	124,779	-	-	124,779
Plant Services	187,633	3,273	11,212	202,118
Other Outgo	1,859	-	-	1,859
Debt Service:				
Principal	26,308	-	-	26,308
Interest	253	-	-	253
Total Expenditures	<u>1,754,725</u>	<u>195,969</u>	<u>11,212</u>	<u>1,961,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>81,189</u>	<u>(26,779)</u>	<u>(2,865)</u>	<u>51,545</u>
Other Financing Sources (Uses):				
Other Sources	<u>126,593</u>	<u>-</u>	<u>-</u>	<u>126,593</u>
Total Other Financing Sources (Uses)	<u>126,593</u>	<u>-</u>	<u>-</u>	<u>126,593</u>
Net Change in Fund Balance	207,782	(26,779)	(2,865)	178,138
Fund Balance, July 1	<u>241,868</u>	<u>32,304</u>	<u>61,769</u>	<u>335,941</u>
Fund Balance, June 30	<u>\$ 449,650</u>	<u>\$ 5,525</u>	<u>\$ 58,904</u>	<u>\$ 514,079</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	178,138
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		150,305
The depreciation of capital assets used in governmental activities is not reported in the funds.		(71,292)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		26,308
Other postemployment benefit obligation in excess of the "pay as you go" amount are expenses in the SOA not expenditures in the funds.		(10,587)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(126,593)
Cost of pension benefits earned net of employee contributions is reported as pension expense in the SOA.		
Pension contributions are reported as expenditures in the funds.		(9,609)
Change in net position of governmental activities - Statement of Activities	\$	<u>136,670</u>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
ASSETS:	
Cash on Hand and in Banks	\$ 6,539
Total Assets	<hr/> 6,539 <hr/>
LIABILITIES:	
Due to Student Groups	<hr/> 6,539
Total Liabilities	<hr/> 6,539 <hr/>
NET POSITION:	
Total Net Position	<hr/> \$ - <hr/>

The accompanying notes are an integral part of this statement.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

Ducor Union Elementary School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to the accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Financial Reporting Entity

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

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are, therefore, not available to support District programs, these funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

The Cafeteria Fund is used to account separately for federal, state and local resources to operate the food service program and is to be used only for those expenditures as necessary for the operation of the District's food service program.

Non-Major Governmental Funds:

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The following capital projects funds are utilized by the District:

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

The County School Facilities Fund – New Construction is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction projects and facility hardship grants.

The County School Facilities Fund – Modernization is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for the modernization of the District.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The District reports the following fiduciary fund:

Agency Funds are used to account for assets held for others in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The following agency fund is utilized by the District:

The District maintains one agency fund for the school's student body.

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Encumbrances

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

Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and function and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. All appropriations lapse at year end. See Note 3 for expenditures that exceeded appropriations.

Deposits and Investments

Cash balances held in banks and in revolving funds are fully insured or collateralized.

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

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

Information regarding the amount of dollars invested in derivatives with the Tulare County Treasury was not available for the year ended June 30, 2015.

Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7-50
Land Improvements	50
Furniture and Equipment	5-15

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities, when applicable. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position, when applicable. The District had no internal transfers as of June 30, 2015.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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 exceeds qualified expenditures.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. At June 30, 2015, the District had no accumulated unpaid employee vacation benefits.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as revolving cash) or legally required to remain intact.

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board, the District's highest level of decision making authority. Formal board action must be taken on or before June 30th of each fiscal year. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The committed amount subject to the constraint may be determined after June 30th. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted fund balances in that the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Spending Order Policy

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum Fund Balance Policy

In fiscal year 2011, the District adopted a minimum fund balance policy for the General Fund. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredictable expenditures. Therefore, the District will maintain an unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

Net Position

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

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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. The County of Tulare bills and collects the taxes for the District.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions

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

Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also is enhanced through new note disclosures and required supplementary information. The comparability of reported pension information also is improved by the changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions. The provisions of this statement have been implemented in the financial statements for the year ended June 30, 2015. The statements contained herein reflect the changes in financial reporting and presentation.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement eliminates the source of a potential understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities by requiring that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement were required to be applied simultaneously with the provisions of GASB Statement No. 68.

NOTE 2 - Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Deficit Fund Balance or Net Position of Individual Funds

Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

NOTE 3 – Excess of Expenditures Over Appropriations

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

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Services and Other Operating Expenditures	\$ 13,830
Capital Outlay	\$ 102,641
Debt Service: Principal	\$ 2,308
Cafeteria Fund:	
Services and Other Operating Expenditures	\$ 22,423

General Fund and Cafeteria Fund: Budgets were not revised to reflect actual results.

NOTE 4 - Cash and Investments

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Tulare County Treasury as part of the common investment pool (\$577,800 as of June 30, 2015). The book value approximates fair value. The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$578,862. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Cash on Hand, in Banks and in Revolving Fund

Cash balances on hand and in banks (\$6,539 as of June 30, 2015) and in the revolving fund (\$1,100) are fully insured or collateralized.

Analysis of Specific Deposits and Investments

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

Statement of Net Position:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not Rated	\$ 578,862
Cash in Revolving Fund	Not Applicable	1,100
Fiduciary Fund:		
Cash on Hand and in Banks	Not Applicable	6,539
Total		<u>\$ 586,501</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

Cash in County Treasury	\$	578,862
Deposits with Financial Institutions		7,639
Total	\$	<u>586,501</u>

Investments Authorized by the District's Investment Policy

Education Code Section 41001 and the District's investment policy require operating funds to be deposited into the County Treasury and invested in accordance with the current investment policy of the Tulare County Treasurer. Education Code Section 41015 authorizes the investment of surplus moneys, not required for the immediate necessities of the District in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk. The District held no investments at June 30, 2015.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District held no investments at June 30, 2015.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District held no investments at June 30, 2015.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2015.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NOTE 5 - Accounts Receivable

Accounts receivable as of June 30, 2015, consist of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Totals</u>
Federal Government:			
Federal Programs	\$ 49,680	\$ 19,420	\$ 69,100
State Government:			
Lottery	8,338	-	8,338
Lottery - Instructional Materials	6,232	-	6,232
Child Nutrition Program	-	1,641	1,641
Total State Government	14,570	1,641	16,211
Totals	<u>\$ 64,250</u>	<u>\$ 21,061</u>	<u>\$ 85,311</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 6 - Capital Assets

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

	Beginning Balances	Increases	Reclassifications/ Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Work in progress	151,867	11,212	-	163,079
Total capital assets not being depreciated	158,867	11,212	-	170,079
Capital assets being depreciated:				
Land improvements	135,086	-	-	135,086
Buildings	1,575,561	-	-	1,575,561
Equipment	264,531	12,500	-	277,031
Equipment under capital lease	-	126,593	-	126,593
Total capital assets being depreciated	1,975,178	139,093	-	2,114,271
Less accumulated depreciation for:				
Land improvements	(28,223)	(2,663)	-	(30,886)
Buildings	(466,461)	(49,569)	-	(516,030)
Equipment	(226,318)	(8,511)	-	(234,829)
Equipment under capital lease	-	(10,549)	-	(10,549)
Total accumulated depreciation	(721,002)	(71,292)	-	(792,294)
Total capital assets being depreciated, net	1,254,176	67,801	-	1,321,977
Governmental activities capital assets, net	\$ 1,413,043	\$ 79,013	\$ -	\$ 1,492,056

Depreciation was charged to functions as follows:

Instruction	\$ 64,162
Pupil Services	713
Plant Services	6,417
	<u>\$ 71,292</u>

NOTE 7 - Interfund Balances and Activities

Due To and From Other Funds

Balances due to and from other funds at June 30, 2015, consisted of the following:

Due to Fund	Due From Fund	Amount	Reason
General Fund	Cafeteria Fund	\$ 24,844	Short-term loan
	Total	<u>\$ 24,844</u>	

All amounts due are scheduled to be repaid within one year.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 8 - Short-Term Debt Obligations

Tax and Revenue Anticipation Notes

The District accounts for current loans for cash flow purposes through the General Fund. The District chooses Tax Revenue Anticipation Notes for cash flow purposes.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
2013-2014 Cross Year Tax and Revenue Anticipation Note - Series J	\$ 75,000	\$ -	\$ 75,000	\$ -
Totals	\$ 75,000	\$ -	\$ 75,000	\$ -

The District authorized the participation in the California School Cash Reserve Program Authority's 2013-2014 Cross-Year Tax and Revenue Anticipation Notes to fund the loan proceeds. The District borrowed \$75,000 for the purpose of providing for current expenditures and capital outlay requirements. The note was issued at a premium of \$779, with an underwriter's discount of \$75 and an issuance cost of \$2,425. The short-term loan, including interest of \$821, was paid in full in July 2014.

NOTE 9 - Long-Term Debt Obligations

Long-Term Debt Obligation Summary

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital Lease	\$ -	\$ 126,593	\$ 26,308	\$ 100,285	\$ 24,204
Total governmental activities	\$ -	\$ 126,593	\$ 26,308	\$ 100,285	\$ 24,204

The funds typically used to liquidate other long-term liabilities in the past, are as follows:

Liability	Activity Type	Fund
Capital Lease	Governmental	General Fund

In the government-wide financial statements, interest expense for the year ended June 30, 2015, was \$253 and is included in the functional expenses as a direct charge.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2015

Capital Leases

In August 2014, the District entered into a capital lease for a 2013, 35 passenger bus valued at \$126,593, which provides for title to pass upon expiration of the lease period. The lease calls for five annual payments of \$25,561 including interest at 2.35%. Amortization of leased equipment under capital assets is included with depreciation expense.

Future commitments for capital lease payments as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 24,204	\$ 2,357	\$ 26,561
2017	24,773	1,788	26,561
2018	25,356	1,206	26,562
2019	25,952	609	26,561
Totals	<u>\$ 100,285</u>	<u>\$ 5,960</u>	<u>\$ 106,245</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with this lease.

NOTE 10 - Fund Balances and Restricted Net Position

Fund balances at June 30, 2015, are as follows:

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Revolving Cash	\$ 1,000	\$ 100	\$ -	\$ 1,100
Total Nonspendable	<u>1,000</u>	<u>100</u>	<u>-</u>	<u>1,100</u>
Restricted:				
Common Core State Standards Implementation	13,826	-	-	13,826
California Clean Energy Jobs Act	97,350	-	-	97,350
Lottery - Instructional Materials	2,982	-	-	2,982
Other Educational Purposes	1,294	-	-	1,294
Child Nutrition	-	5,425	-	5,425
Developer Fees	-	-	34,857	34,857
State School Facilities Projects	-	-	24,047	24,047
Total Restricted	<u>115,452</u>	<u>5,425</u>	<u>58,904</u>	<u>179,781</u>
Unassigned:				
Reserve for Economic Uncertainty	85,000	-	-	85,000
Other Unassigned	248,198	-	-	248,198
Total Unassigned	<u>333,198</u>	<u>-</u>	<u>-</u>	<u>333,198</u>
Total Fund Balances	<u>\$ 449,650</u>	<u>\$ 5,525</u>	<u>\$ 58,904</u>	<u>\$ 514,079</u>

The government-wide statement of net position reports \$179,881 of restricted net position, which is not restricted by enabling legislation.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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NOTE 11 - Commitments Under Noncapitalized Leases

The District has entered into various operating leases for copier equipment with lease terms in excess of one year. These agreements contain no purchase options. The agreements contain termination clauses providing for cancellation after a specified number of days written notice to the lessors, but it is unlikely that the District will cancel any of these agreements prior to the expiration dates.

Future minimum lease payments under these agreements as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 16,872
2017	16,242
2018	9,312
2019	9,312
2020	776
Total minimum rentals	<u>\$ 52,514</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. Rent expense for the year ended June 30, 2015 was \$16,285.

NOTE 12 - Participation In Public Entity Risk Pools and Joint Powers Authorities

The Ducor Union Elementary School District participates in three public entity risk pools under joint powers agreements (JPAs); Central Tulare County School Districts Liability/Property Joint Powers Authority (C.T.C.S.J.P.A.), the Self-Insured Schools of California (S.I.S.C. III) and Tulare County Schools Insurance Group (T.C.S.I.G.). The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

The JPAs were established as agencies under the provisions of California Government Code, Title I, Division 7, Chapter 5, Article 1, Section 6500, et. seq. The purpose of each JPA is to provide self-insurance programs as follows:

C.T.C.S.J.P.A. provides a \$200,000 liability and a \$150,000 for property Self-Insured Retention (SIR) for claims against the participating public education agency JPA members. These claims are paid through the JPA loss fund.

S.I.S.C. III provides the services necessary and appropriate for the establishment, operation and maintenance of a medical Self-Insurance Fund that provides for payment of medical, dental, vision and prescription claims of the member public education agency employees and their covered dependents and to minimize the total cost of annual medical insurance of their respective member organizations.

T.C.S.I.G. is an insurance purchasing pool for workers' compensation insurance.

Membership in the JPAs consists of various public educational agencies.

The JPAs are governed by boards consisting of representatives from the member public educational agencies and related associations. The boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by member public educational agencies beyond their representation on the board. Each member public educational agency pays a premium based on student population, or number of covered individuals. Surpluses remain in each fund or JPA, while deficits are covered by assessments on the member districts in proportion to their participation in each JPA.

During the last three fiscal (claims) years none of the above programs have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in prior year.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 - Pension Plans

Plan Descriptions

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

Benefits Provided

CalSTRS

CalSTRS has two benefit formulas:

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

CalSTRS 2% at 60

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

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

The limit on compensation that can be counted towards a member's benefit is \$260,000 for 2014, if hired on or after July 1, 1996. The limit is increased based on cost-of-living increases calculated per Internal Revenue Code Section 401(a)(17). No contributions are paid by the member, employer or the state on compensation in excess of the limit, and any compensation beyond the limit is excluded from determining final compensation.

Final compensation is based on different forms of compensation, including salary and certain other types of remuneration. Other types of compensation, such as compensation for unused accumulated leave, are not creditable compensation and do not count toward any CalSTRS benefit program.

Members who retire on or after January 1, 2001, and accumulated at least 30 years of credited service by December 31, 2010, receive a longevity bonus of \$200, \$300 or \$400 per month for 30, 31 or 32 or more years of credited service, respectively.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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CalSTRS 2% at 62

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

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

The limit on creditable compensation that can be counted towards a member's benefit is 120% of the Social Security wage base in effect on January 1, 2013. The limit is adjusted each fiscal year based on the changes in the Consumer Price Index. In fiscal year 2013-14, the limit was \$136,440.

Only compensation paid in cash by an employer for each pay period in which creditable service is performed, pursuant to a publicly available written contractual agreement, is creditable to CalSTRS benefit programs for CalSTRS 2% at 62 members.

The following provisions apply to both CalSTRS 2% at 60 and 2% at 62 members:

After earning five years of credited service, members become 100% vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50% of final compensation plus 10% of final compensation for each eligible child, up to a maximum addition of 40%. The member must have a disability that will exceed a period of 12 or more months to qualify for a benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited-period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalSTRS. The board determines the credited interest rate each fiscal year. For the year ended June 30, 2014, the rate of interest credited to members' accounts was 0.5%.

There is a postretirement annual benefit adjustment increase of 2% per year on a simple (rather than compound) basis. This benefit is vested for members who pay the higher contribution rates enacted in AB 1469, or retired in 2014.

The members' benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalSTRS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

Any enhancements to the CalSTRS Defined Benefit Program made on or after January 1, 2013, apply only to service performed on or after the effective date of the enhancement.

Defined Benefit Program benefits must be forfeited by any CalSTRS member who is convicted of committing a felony in the course of his or her official duties, including specifically if the felony involved a child with whom the member had contact as part of the member's official duties.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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CalPERS

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. To be eligible for retirement, the member must be at least age 50 and have a minimum of 5 years of credited service. If you became a member on or after January 1, 2013, you must be at least 52. Monthly benefits are based on three factors: Service credit, benefit factor and final compensation. Service credit is based on years of credited service, equal to one year of full time employment. The benefit factor which is a percentage of pay to which the member is entitled for each year of service, is determined by their age at retirement and the retirement formula based on their membership date with each employer. There are two school retirement formulas: 2% at age 55 for those hired prior to January 1, 2013 with benefit factors ranging from 1.1% - 2.5% with retirement ages of 50-62; 2% at age 62 for those hired after January 1, 2013 with benefit factors ranging from 1% - 2.5% with retirement ages of 52-67. Final compensation is the highest average pay rate and special compensation during any consecutive one-year or three-year period, which compensation period is used, depends on the members' retirement formula. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit and the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Contributions

CalSTRS

Section 22950 of the California Education Code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. Rates are defined in Section 22950.5 through the measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specifically to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Contributions to the pension plan from the District were \$51,082 for the year ended June 30, 2015.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. The State contributed 5.67884% of salaries creditable to CalSTRS for the year ended 2012-13. The amount contributed by the State on behalf of the District was \$35,267 and is reported as revenue and an expenditure in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue and expense is recognized for the State's on behalf contributions on an accrual basis of \$40,803. These on behalf payments meet the criteria of a special funding situation.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS' Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' periodic actuarial valuation process or by state statute. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The active employee contribution rate is 7% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. Contributions to the pension plan from the District were \$35,218 for the year ended June 30, 2015.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
District's proportionate share of the net pension liability	\$ 782,682	\$ 318,840
State's proportionate share of the net pension liability associated with the District	<u>472,622</u>	<u>-</u>
Total net pension liability	<u>\$ 1,255,304</u>	<u>\$ 318,840</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liabilities was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014 (the measurement date), the District's proportion for CalSTRS and CalPERS was .0013% and .0028%, respectively. A valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available as it's the first year of implementation of GASB Statement No. 68, and disclosure will be available in subsequent years.

For the year ended June 30, 2015, the District recognized pension expense of \$136,712 and revenue of \$40,803 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 61,380
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	240,911
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>86,300</u>	<u>-</u>
Total	<u>\$ 86,300</u>	<u>\$ 302,291</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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\$86,300 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense, as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2016	\$ (75,573)
2017	(75,573)
2018	(75,573)
2019	(75,572)
2020	-
Thereafter	-
Total	<u>\$ (302,291)</u>

Actuarial Assumptions

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation Rate	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.050%-5.60% (1)	3.20%-10.80% (1)
Experience Study	7/1/2006-6/30/2010	7/1/1996-6/30/2011
Investment Rate of Return	7.60% (2)	7.50% (2)
Post Retirement Benefit Increase	2.00% Simple for DB not applicable for DBS/CBB	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. CalPERS uses mortality tables developed based on CalPERS specific data for all funds. The mortality table includes 20 years of mortality improvements using Society of Actuaries, Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plans. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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CalSTRS best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the table below.

CalPERS utilized historical returns of all the Plan's asset classes to determine the expected compounded (geometric) returns over the short-term (first 10 years) and the long-term (11-60 years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

The tables below reflect long-term expected real rate of return by asset class, as follows:

Asset Class	CalSTRS		CalPERS			
	Assumed Asset Allocation	Long-term *	New Strategic Allocation	Real *	Real *	
		Expected Real Rate of Return		Return Years 1-10 (1)	Return Years 11+ (2)	
Global Equity	47%	4.50%	47%	5.25%	5.71%	
Fixed Income	20%	0.20%	19%	0.99%	2.43%	
Private Equity	12%	6.20%	12%	6.83%	6.95%	
Real Estate	15%	4.35%	11%	4.50%	5.13%	
Inflation Sensitive	5%	3.20%	6%	0.45%	3.36%	
Infrastructure & Forestland	0%	0.00%	3%	4.50%	5.09%	
Cash/Liquidity	1%	0.00%	2%	-0.55%	-1.05%	

* Geometric average

(1) An expected inflation of 2.50% used for this period

(2) An expected inflation of 3.005% used for this period

Discount Rate

The discount rates used to measure the total pension liabilities for CalSTRS and CalPERS were 7.6% and 7.5%, respectively. The CalSTRS projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.6%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the CalSTRS net pension liability. CalPERS' projection of the expected benefits and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at the CalPERS' website.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	CalSTRS	CalPERS
1% Decrease	6.6%	6.5%
Net Pension Liability	\$ 1,219,996	\$ 559,319
Current Discount Rate	7.6%	7.5%
Net Pension Liability	\$ 782,682	\$ 318,840
1% Increase	8.6%	8.5%
Net Pension Liability	\$ 418,041	\$ 117,896

Pension Plan Fiduciary Net Position

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

NOTE 14 - Postemployment Benefits Other Than Pension Benefits

Plan Description

The District provides a self-funded, single employer, defined benefit plan to provide medical, dental and vision insurance benefits for certificated employees who retire from the District after attaining a minimum age of 55 and performing 20 years of service. The District contribution is 100% and dependents are also covered. The District current has an active cap. Benefits are paid until they attain the age of 65 or until they qualify for Medicare, whichever is earlier. The District is a member in a joint powers agreement (JPA) the Self Insured Schools of California (S.I.S.C. III) as described in Note 12, to provide health coverage.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. The District participates in the Self-Insured Schools of California GASB 45 Trust, an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 with pooled administrative and investment functions. The Trust was established as a mechanism for pre-funding other postemployment benefit liabilities. However, contributions are voluntarily determined by the District's own funding schedule. The Self-Insured School of California GASB 45 Trust issues an annual stand-alone financial report which can be obtained by contacting SISC at PO Box 1847, Bakersfield, California 93303-1847, or by phoning SISC at 661-636-4710.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 10 years.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan:

Annual required contribution (ARC)	\$	14,927
Interest on prior year net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		14,927
Employer contributions		-
Increase in net OPEB obligation		14,927
Beginning net OPEB obligation		31,653
Ending net OPEB obligation	\$	46,580

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and prior years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 15,959	88.6%	\$ 16,726
6/30/2014	\$ 14,927	-	\$ 31,653
6/30/2015	\$ 14,927	-	\$ 46,580

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the funded status of the retiree health plan, was as follows:

Actuarial accrued liability (AAL)	\$	62,462
Actuarial value of plan assets		12,350
Unfunded actuarial accrued liability (UAAL)	\$	50,112
Funded ratio (actuarial value of plan assets/AAL)		19.8%
Annual covered payroll (active plan members)	\$	590,421
UAAL as a percentage of annual covered payroll		8.5%

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

Actuarial Methods and Assumptions

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

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

In the July 1, 2013 actuarial valuation, the "entry age normal" actuarial cost method was used to measure accruing costs. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. Then, the actuary determines what amount needs to be expensed each year from hire until retirement to fully accrue the expected cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, the normal cost can be expressed either as a level dollar amount or as a level percentage of payroll. The actuarial assumptions include a 2.75% inflation rate, a 6.75% discount rate and a 2.75% salary growth rate. A medical trend rate was used beginning at 4% per year. The initial unfunded actuarial accrued liability (UAAL) is being amortized using a closed 14 year amortization period and level percentage of payroll method. An open 10 year amortization period and level dollar method is being used for any residual UAAL. The remaining amortization period at June 30, 2015, was 10 years.

NOTE 15 - Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

NOTE 16 - Subsequent Events

Prop 39 Project

On April 14, 2015 the Board approved a loan in an amount not to exceed \$157,262 for completion of the Prop 39 energy plan project, which includes the replacement of the District's HVAC units, thermostats and all interior and exterior lighting. The District used \$97,350 of the Prop 39 project funds to install lighting, thermostats, and HVAC units in November 2015.

NOTE 17 - Prior Period Adjustment

An adjustment to prior year net position within the Statement of Activities in the amount of \$1,307,904, represents an understatement of net pension liability, a result of implementation of GASB Statements 68 and 71.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,169,263	\$ 1,159,575	\$ 1,075,121	\$ (84,454)
Education Protection Account Funds	173,963	210,744	255,900	45,156
Local Sources	201,145	186,796	213,425	26,629
Federal Revenue	122,764	158,007	116,222	(41,785)
Other State Revenue	73,510	85,302	137,901	52,599
Other Local Revenue	2,700	38,741	37,345	(1,396)
Total Revenues	<u>1,743,345</u>	<u>1,839,165</u>	<u>1,835,914</u>	<u>(3,251)</u>
Expenditures:				
Current:				
Certificated Salaries	708,174	608,190	588,962	19,228
Classified Salaries	312,055	308,838	296,190	12,648
Employee Benefits	341,779	389,957	352,193	37,764
Books And Supplies	109,220	136,590	65,988	70,602
Services And Other Operating Expenditures	242,902	282,549	296,379	(13,830)
Other Outgo	2,095	2,414	1,859	555
Capital Outlay	-	23,952	126,593	(102,641)
Debt Service:				
Principal	24,000	24,000	26,308	(2,308)
Interest	1,250	1,250	253	997
Total Expenditures	<u>1,741,475</u>	<u>1,777,740</u>	<u>1,754,725</u>	<u>23,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,870</u>	<u>61,425</u>	<u>81,189</u>	<u>19,764</u>
Other Financing Sources (Uses):				
Other Sources	-	23,952	126,593	102,641
Total Other Financing Sources (Uses)	<u>-</u>	<u>23,952</u>	<u>126,593</u>	<u>102,641</u>
Net Change in Fund Balance	1,870	85,377	207,782	122,405
Fund Balance, July 1	241,868	241,868	241,868	-
Fund Balance, June 30	<u>\$ 243,738</u>	<u>\$ 327,245</u>	<u>\$ 449,650</u>	<u>\$ 122,405</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-2

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Federal Revenue	\$ 131,000	\$ 142,250	\$ 154,840	\$ 12,590
Other State Revenue	11,800	11,800	12,600	800
Other Local Revenue	600	2,400	1,750	(650)
Total Revenues	<u>143,400</u>	<u>156,450</u>	<u>169,190</u>	<u>12,740</u>
Expenditures:				
Current:				
Classified Salaries	17,935	40,499	20,498	20,001
Employee Benefits	4,254	8,720	4,345	4,375
Books And Supplies	1,500	1,500	913	587
Services And Other Operating Expenditures	119,500	135,290	157,713	(22,423)
Capital Outlay	-	13,850	12,500	1,350
Total Expenditures	<u>143,189</u>	<u>199,859</u>	<u>195,969</u>	<u>3,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>211</u>	<u>(43,409)</u>	<u>(26,779)</u>	<u>16,630</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	211	(43,409)	(26,779)	16,630
Fund Balance, July 1	32,304	32,304	32,304	-
Fund Balance, June 30	<u>\$ 32,515</u>	<u>\$ (11,105)</u>	<u>\$ 5,525</u>	<u>\$ 16,630</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT B-3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/1/2009	\$ -	\$ 83,293	\$ 83,293	-	\$ 904,441	9.2%
7/1/2011	\$ 10,580	\$ 75,186	\$ 64,606	14.1%	\$ 928,823	7.0%
7/1/2013	\$ 12,350	\$ 62,462	\$ 50,112	19.8%	\$ 590,421	8.5%

DUCOR UNION ELEMENTARY SCHOOL DISTRICT**EXHIBIT B-4**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

<u>CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM</u>	<u>2015</u>
District's proportion of the net pension liability	0.0013%
District's proportionate share of the net pension liability	\$ 782,682
State's proportionate share of the net pension liability associated with the District	<u>472,622</u>
Total	<u>\$ 1,255,304</u>
District's covered-employee payroll	\$ 588,963
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.89%
Plan fiduciary net position as a percentage of the total pension liability	69.96%
 <u>CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</u>	 <u>2015</u>
District's proportion of the net pension liability	0.0028%
District's proportionate share of the net pension liability	\$ 318,840
District's covered-employee payroll	\$ 316,688
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.68%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

* The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. There were no changes to the benefit terms or changes to the assumptions. Only the current fiscal year is presented because 10-year data is not yet available.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-5

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS*

<u>CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM</u>	<u>2015</u>
Statutorily required contribution	\$ 51,082
Contributions in relation to the statutorily required contribution	<u>51,082</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 575,248
Contributions as a percentage of covered-employee payroll	8.88%
<u>CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</u>	<u>2015</u>
Statutorily required contribution	\$ 35,218
Contributions in relation to the statutorily required contribution	<u>35,218</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 299,193
Contributions as a percentage of covered-employee payroll	11.771%

* The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. There were no changes to the benefit terms or changes to the assumptions. Only the current fiscal year is presented because 10-year data is not yet available.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund New Construction	County School Facilities Fund Modernization	Total Nonmajor Capital Projects Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 34,857	\$ 24,047	\$ -	\$ 58,904
Total Assets	<u>\$ 34,857</u>	<u>\$ 24,047</u>	<u>\$ -</u>	<u>\$ 58,904</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Restricted Fund Balances	34,857	24,047	-	58,904
Total Fund Balance	<u>34,857</u>	<u>24,047</u>	<u>-</u>	<u>58,904</u>
Total Liabilities and Fund Balances	<u>\$ 34,857</u>	<u>\$ 24,047</u>	<u>\$ -</u>	<u>\$ 58,904</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund New Construction	Total Nonmajor Capital Projects Funds (See Exhibit A-5)
Revenues:			
Other Local Revenue	\$ 8,008	\$ 339	\$ 8,347
Total Revenues	<u>8,008</u>	<u>339</u>	<u>8,347</u>
Expenditures:			
Plant Services	-	11,212	11,212
Total Expenditures	<u>-</u>	<u>11,212</u>	<u>11,212</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,008</u>	<u>(10,873)</u>	<u>(2,865)</u>
Net Change in Fund Balance	8,008	(10,873)	(2,865)
Fund Balance, July 1	26,849	34,920	61,769
Fund Balance, June 30	<u>\$ 34,857</u>	<u>\$ 24,047</u>	<u>\$ 58,904</u>

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2015

TABLE D-1

Ducor Union Elementary School District was established on January 6, 1909. There were no changes in the boundaries of the District during the current year. The District consists of one elementary school, grades K-8.

Governing Board		
Name	Office	Term and Term Expiration
Jim Koontz	President	Four year term expires 12/2018
Janie Chavez	Clerk	Four year term expires 12/2018
Patricia Hughes	Member	Four year term expires 12/2016
Allen Hunsaker	Member	Four year term expires 12/2018
Amparo Mariscal	Member	Four year term expires 12/2018
Administration		
Name	Office	Tenure
Isidro Rodriguez, Jr.	Superintendent	Two years

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
JUNE 30, 2015

TABLE D-2

	Second Period Report		Annual Report	
	Per Report	Per Audit	Per Report	Per Audit
TK/K-3:				
Regular ADA	70.80	66.90	69.76	65.65
Grades 4-6:				
Regular ADA	72.04	72.04	71.88	71.88
Grades 7-8:				
Regular ADA	<u>34.55</u>	<u>34.55</u>	<u>34.54</u>	<u>34.54</u>
ADA Totals	<u><u>177.39</u></u>	<u><u>173.49</u></u>	<u><u>176.18</u></u>	<u><u>172.07</u></u>

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.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015

TABLE D-3

Grade Level	Ed. Code 46201(b) Minutes Requirement	Ed. Code 46201(b) Adjusted & Reduced	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	N/A	60,270	180	Complied
Grade 1	50,400	N/A	55,770	180	Complied
Grade 2	50,400	N/A	55,770	180	Complied
Grade 3	50,400	N/A	55,770	180	Complied
Grade 4	54,000	N/A	57,570	180	Complied
Grade 5	54,000	N/A	57,570	180	Complied
Grade 6	54,000	N/A	57,570	180	Complied
Grade 7	54,000	N/A	57,570	180	Complied
Grade 8	54,000	N/A	57,570	180	Complied

School districts must maintain their instructional minutes as defined in Education Code Section 46201(b). This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of the instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet its target funding.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2015

TABLE D-4

General Fund	Budget 2016 (see note 1)	2015	2014	2013
Revenues and other financial sources	\$ 1,905,383	\$ 1,962,507	\$ 1,618,189	\$ 1,466,024
Expenditures	1,895,376	1,754,725	1,517,200	1,570,528
Other uses and transfers out	-	-	-	-
Total outgo	1,895,376	1,754,725	1,517,200	1,570,528
Change in fund balance (deficit)	10,007	207,782	100,989	(104,504)
Ending fund balance	\$ 459,657	\$ 449,650	\$ 241,868	\$ 140,879
Available reserves (see note 2)	\$ 396,025	\$ 333,198	\$ 150,709	\$ 46,992
Available reserves as a percentage of total outgo (see note 3)	20.9%	19.4%	10.2%	3.1%
Total long-term debt	\$ 1,224,183	\$ 1,248,387	\$ 31,653	\$ 16,726
Average daily attendance at P-2	179	173	191	177

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

The General Fund balance has increased by \$308,771 (219.17%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$10,007 (2.23%). For a district of this size, the State recommends available reserves of at least five percent of total General Fund expenditures, transfers out and other uses (total outgo).

The District has enjoyed operating surpluses for two of the past three years and projects a surplus during the 2015-16 fiscal year. Total long-term debt has increased by \$1,231,661 over the past two years as a result of implementing GASB Statement No. 68.

Average daily attendance has decreased by four over the past two years. An increase of six ADA is anticipated during the fiscal year 2015-16.

NOTES:

- (1) Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- (2) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- (3) On behalf payments of \$35,267, \$33,697 and \$31,333 have been excluded from the calculation of available reserves as a percentage of total outgo for the years ended June 30, 2015, 2014 and 2013.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

TABLE D-5

	General Fund	Cafeteria Fund
June 30, 2015, annual financial and budget report fund balances	<u>\$ 394,678</u>	<u>\$ 46,160</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts payable under/overstatement	19,741	(15,791)
Due from/to other funds understatement	24,844	(24,844)
Tax Revenue Anticipation Notes overstatement	<u>10,387</u>	<u>-</u>
Net adjustments and reclassifications	<u>54,972</u>	<u>(40,635)</u>
June 30, 2015, audited financial statement fund balances	<u><u>\$ 449,650</u></u>	<u><u>\$ 5,525</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2015

TABLE D-6

No charter schools are chartered by Ducor Union Elementary School District.

<u>Charter Schools</u>	<u>Included in Audit?</u>
None	N/A

Other Independent Auditors' Reports



M. Green and Company LLP

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**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditors' Report

Board of Trustees
Ducor Union Elementary School District
23761 Avenue 56
Ducor, California 93218

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ducor Union Elementary School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ducor Union Elementary School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ducor Union Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ducor Union Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ducor Union Elementary School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Ducor Union Elementary School District in a separate letter dated December 7, 2015.

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.

M. Green and Company LLP

Visalia, California
December 7, 2015



M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on State Compliance

Board of Trustees
Ducor Union Elementary School District
23761 Avenue 56
Ducor, California 93218

Members of the Board of Trustees:

Report on State Compliance

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

Management's Responsibility for State Compliance

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time For School Districts	Yes
Instructional Materials, General Requirements	Yes
Ratios of Administrative Employees to Teachers	No (See Below)

Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION AND CHARTER

SCHOOLS:

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
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, For Charter Schools	N/A
Mode of Instruction, For Charter Schools	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	N/A
Annual Instructional Minutes – Classroom Based, For Charter Schools	N/A
Charter School Facility Grant Program	N/A

The term “N/A” is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Ratios of Administrative Employees to Teachers. The procedure was not required to be performed since there is only one administrator employed by the District.

Opinion on State Compliance

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

Other Matters

Other Information

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State’s audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, 2015-003 and 2015-004.

Ducor Union Elementary School District’s Responses to Findings

Ducor Union Elementary School District’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ducor Union Elementary School District’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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 outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

M. Green and Company LLP

Visalia, California
December 7, 2015

Findings and Recommendations Section

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes N/A No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

The District had less than \$500,000 in federal expenditures this year.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Unmodified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

FINDING 2015-001

40000

STATE COMPLIANCE – KINDERGARTEN CONTINUANCE

Criteria

Education Code 46300(g)(1)(A) requires the District to have "...on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the department and signed by the pupil's parent or guardian,..." for each kindergarten pupil retained.

Condition

The proper State approved retention form was not completed for five students. P-2 Attendance Report Kindergarten ADA was overstated by 3.92 ADA. Annual Attendance Report Kindergarten ADA was overstated by 4.12 ADA.

Questioned Costs

Not Applicable

Context

This finding is systemic to the entire District.

Effect

The Local Control Funding Formula (LCFF) uses the greater of total current or prior year ADA; because prior year ADA was greater than current year, there was no fiscal impact for P-2 ADA. The decrease in Annual ADA rounds to 4 ADA, which is a decrease of approximately \$647 in lottery funding.

Cause

The students were initially moved into first grade, however the first grade teacher did not believe they were doing well and decided to retain the students after the year had started. The District was not aware that these students required retention forms because they initially progressed into first grade.

Recommendation

We recommend the District use the "state approved parental agreement to continue forms" and retain copies. We also recommend the District file an appeal with the Education Audit Appeals Panel in an attempt to retain the funding.

LEA's Response

The District will review and implement the required parental agreement as required.

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2015-002

70000

STATE COMPLIANCE – INSTRUCTIONAL MATERIALS – PUBLIC HEARING

Criteria

Pursuant to Education Code Section 60119, the governing board shall hold a public hearing at which the governing board shall encourage participation by bargaining unit leaders, parents, teachers, and members of the community interested in the affairs of the school district and shall make a determination, through a resolution, as to whether each pupil in each school in the District has, or will have before the end of that fiscal year, enough textbooks and other instructional materials in each subject consistent with the content and cycles of the curriculum framework adopted by the state board. The governing board shall provide 10 days notice of the public hearing. The notice shall contain the time, place, and purpose of the hearing and shall be posted in three public places in the school district. The hearing shall be held at a time that will encourage the attendance of teachers and parents and guardians of pupils who attend the schools in the school district and shall not take place during or immediately following school hours.

Condition

The District's governing board held a public hearing on September 9, 2014 in accordance with Education Code Section 60119. Although the District posted the agenda before the public hearing, it did not contain all the required information needed for a public hearing notice.

Questioned Costs

Not Applicable

Context

Annual requirement isolated to the Instructional Materials Realignment Program.

Effect

The public may not have had the opportunity to give their input on availability of sufficient instructional materials for every student.

Cause

An oversight by District management.

Recommendation

We recommend the District give a 10 day advance notice for the annual instructional materials public hearing to ensure that the public has input in the matter of each student having sufficient instructional materials in each subject consistent with the content and cycles of the curriculum framework adopted by the State board. We also recommend the District post the notice for the annual instructional materials public meeting that contains the time, place, and purpose of the hearing and the notice shall be posted in three public places.

LEA's Response

District management will give the 10 day notice as required and will file the documents for future evidence.

FINDING 2015-003

61000

STATE COMPLIANCE – CLASSROOM TEACHER SALARIES

Criteria

Education Code Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60% (for elementary districts) of total expenditures of the District.

Condition

The District spent only 54.82% of their current expense of education (\$1,529,170) on classroom teacher salaries and benefits.

Questioned Costs

Not Applicable

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Context

This finding is systemic to the entire District.

Effect

The deficiency amount was determined to be \$79,138; therefore, the District is out of compliance with Education Code Section 41372. The District has received an exemption from the required expenditures from the Tulare County Office of Education. The District says that meeting this requirement would result in serious economic hardship to the District.

Cause

The deficiency is due to the change in the funding model with implementation of the Local Control Funding Formula.

Recommendation

We recommend the District continue to work on this requirement and apply for the waiver when needed.

LEA's Response

The District will continue to review and meet the total expenditures.

FINDING 2015-004

40000

STATE COMPLIANCE – TRANSPORTATION MAINTENANCE OF EFFORT

Criteria

Pursuant to Education Code sections 2575 (k) and 42238.03(a)(6)(b), for the 2013-14 and 2014-15 fiscal years only, of the funds a school district receives for purpose of home-to-school transportation, the school district shall expend no less than the amount of funds the school district expended for purpose of home-to-school transportation, respectively, in the 2012-13 fiscal year.

Condition

The District spent \$48,510 for the home-to-school transportation in the 2014-15 school year, which was less than the required amount of \$67,084 (lesser of the transportation expenditures of \$67,084 spent in the 2012-13 fiscal year or the transportation revenue \$75,442 received in the 2012-13 fiscal year).

Questioned Costs

Not Applicable

Context

This is isolated to the home-to-school transportation maintenance of effort.

Effect

Although there is no fiscal impact, the students might have not received necessary transportation service comparable to the services provided in 2012-13 fiscal year.

Cause

The District did not have enough expenditures during the year to meet the minimum requirement.

Recommendation

We recommend the District maintain the level of transportation budget and services to meet the level of the transportation expenditure in the 2012-13 fiscal year or the lesser of the amount received.

LEA's Response

The District will continue to review and monitor fiscal expense.



M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Letter to Management

Board of Trustees
Ducor Union Elementary School District
23761 Avenue 56
Ducor, California 93218

Dear Members of the Board of Trustees:

We have completed our audit of Ducor Union Elementary School District for the year ended June 30, 2015. The following items came to our attention which we are providing for your consideration:

Revolving Fund

The District should take necessary action to keep the revolving fund reconciled balance at \$1,000. We recommend the revolving fund cash account be replenished and balanced to \$1,000 at least monthly, if not more often.

Cafeteria Revolving Fund

The District reports \$100 in a cafeteria revolving fund, however the account is truly a clearing account. The District uses this account for their cafeteria deposits, and the account has a zero balance as of June 30, 2015. We recommend the District write-off the \$100 balance in the revolving fund and adjust the balance, if any, as a clearing account.

Journal Entry Approval

During our audit it was noted that all of the journal entries tested lacked proper approval. We recommend all journal entries be authorized by management.

Student Body

Based on our review of student body activities, there appeared to be a lack of segregation of duties as it relates to receipting and disbursement tracking. We recommend District personnel other than the Secretary review the bank statement reconciliations monthly to ensure they are properly reconciled and the activity appears reasonable and customary.

Accounts Payable Accruals

During our review of cafeteria expenditures, we noticed May accruals were not made. We recommend that more attention be devoted to proper recording of accounts payable at year-end.

Conflict of Interest

As part of the audit, we review Conflict of Interest Forms (Form-700). However, these forms were not completed at the time of the audit for all board members. We recommend the District prepare the cover page of each Conflict of Interest Form and each form be reviewed by District staff to ensure that all sections of the form are reported correctly and that all required forms be obtained and retained.

Excess of Expenditures Over Appropriations

Actual expenditures exceeded budgeted amounts in various major object codes for the year ended June 30, 2015 in the General Fund and Cafeteria Fund. Proper internal controls dictate maintaining control over the budgeting process. We recommend the District review budgets more carefully and revise budgets on a regular basis or the board should approve the year-end budget transfer resolution to allow TCOE to adjust the budget.

Interfund Loans

During our review of expenditures, we noticed payroll for the Cafeteria Fund had not been posted at year-end as a loan from the General Fund. A subsequent journal entry was provided, however, we recommend the interfund loans be reviewed as part of the year-end process to ensure all activity has been properly recorded.

Prior Year Issues

Revolving Fund: The District should compare bank reconciliations to book balances for the Revolving Fund. The District should also reconcile the balance in the account to match the amounts recorded on the financial reports. We recommended the revolving fund cash account be replenished and balanced to \$1,000 at least monthly, if not more often. This issue was not resolved. Our recommendation has been repeated in the current year.

Journal Entry Approval: During our audit it was noted that all of the journal entries tested lacked proper approval. We recommended all journal entries be authorized by management. This issue was not resolved. Our recommendation has been repeated in the current year.

Student Body: Based on our review of student body activities, there appeared to be a lack of segregation of duties as it relates to receipts and disbursement tracking. We also noted there were discrepancies with the receipt documentation. We recommended the District require better tracking of fundraisers and require the cash count sheets to equal cash receipts prior to deposit. We also recommended District personnel other than the Secretary review the bank statement reconciliations monthly to ensure they are properly reconciled and the activity appears reasonable and customary. This issue was not resolved. Our recommendation has been repeated in the current year.

Accounts Receivable Accruals: During our testing of cafeteria revenue, we noticed May and June accruals were not made. We recommended that more attention be devoted to proper recording of accounts receivable at year end. Our recommendation has been implemented.

Conflict of Interest: As part of the audit we review Conflict of Interest Forms (Form-700). However, these forms were not completed at the time of the audit. We recommended the District prepare the cover page of each Conflict of Interest Form and each form be reviewed by the District staff to ensure that all information was reported correctly and that all required forms be obtained and retained. This issue was not resolved. Our recommendation has been repeated in the current year.

We would like to thank management and all of the office personnel for the excellent cooperation we received during our audit. We look forward to working with you again in 2016 and beyond.

Very truly yours,

M. Green and Company LLP

M. GREEN AND COMPANY LLP
Certified Public Accountants

December 7, 2015

DUCOR UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>12-2</p> <p>The District did not complete an annual Facility Inspection Tool (FIT) for the use in preparation of the District's School Accountability Report Card (SARC). In addition, the information pertaining to the status of the facility was omitted from the SARC. We recommended the District conduct an annual facility inspection to be used to complete the SARC and all the information must be correctly reported in the SARC.</p>	Implemented	
<p>2014-001</p> <p>The District did not develop, present and adopt a plan delineating how Common Core State Standards (CCSS) Implementation Funds would be spent. We recommended the District develop, present and adopt a plan delineating how CCSS Implementation Funds allocated shall be spent in a public meeting and adopt the plan in a subsequent public meeting before July 1, 2015. In addition, we recommended the minutes of the school board clearly reflect these actions.</p>	Implemented	