

LAMMERSVILLE UNIFIED SCHOOL DISTRICT
OF SAN JOAQUIN COUNTY
LAMMERSVILLE, CALIFORNIA
JUNE 30, 2014

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Pombo	President	2016
Matthew Balzarini	Clerk	2016
Sharon Lampel	Member	2014
Shane Nielson	Member	2016
Micaela Vergara	Member	2014

ADMINISTRATION

Dr. Kirk Nicholas	Superintendent
Dr. Khushwinder Gill	Assistant Superintendent Elementary Education
Alvina Keyser	Chief Business Official

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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I - Financial Section

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Cichella & Tokunaga, LLP

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INDEPENDENT AUDITORS' REPORT

Governing Board
Lammersville Unified School District
Lammersville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lammersville Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lammersville Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, which has resulted in a restatement of beginning net position in the government-wide financial statement. The impact of the restatement is a reduction in beginning net position of \$624,162. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 15, budgetary comparison information and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 59 and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the Lammersville Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lammersville Unified School District's internal control over financial reporting and compliance.

Carroll & Tolson, LLP

El Dorado Hills, California
December 3, 2014

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Dr. Kirk Nicholas
Superintendent

Governing Board Members
Mr. David Pombo, President – Mr. Matthew D. Balzarini, Clerk
Ms. Sharon Lampel – Mr. Shane Nielson – Mrs. Micaela Vegara

This section of Lammersville Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables. The District does not have any business-type activities.

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

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

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

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

The Primary unit of government is the Lammersville Unified School District.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The most significant highlight for Lammersville Unified School District is the growth it endures both in enrollment and housing market. There is a need to house the students, so construction for the high school and an additional K-8 elementary school is underway and is expected to open in the Fall of 2014.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net assets and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The difference of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$69,510,105 for the fiscal year ended June 30, 2014. Of this amount, \$1,710,482 was unrestricted. Restricted net position was reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 40,866,077	\$ 142,223,466
Capital assets	180,393,177	103,887,865
Total Assets	221,259,254	246,111,331
Liabilities		
Current liabilities	9,985,832	35,213,628
Long-term obligations	141,763,317	114,083,701
Total Liabilities	151,749,149	149,297,329
Net Position		
Invested in capital assets, net of related debt	35,530,281	(9,578,552)
Restricted	32,269,342	105,358,322
Unrestricted	1,710,482	1,034,232
Total Net Position	\$ 69,510,105	\$ 96,814,002

The \$1,710,482 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see total revenues and expenses for the year.

Table 2

	Governmental Activities	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 1,721,203	\$ 10,112,430
Operating grants and contributions	5,837,752	17,864,119
Capital grants and contributions	38,971	30,679,185
General revenues:		
Federal and State aid not restricted	10,923,399	8,907,157
Property taxes	11,177,552	9,565,533
Other general revenues	146,965	106,978
Total Revenues	29,845,842	77,235,402
Expenses		
Instruction-related	16,028,746	14,981,951
Pupil services	1,628,538	1,342,180
Administration	1,436,057	1,229,967
Plant Services	1,835,311	1,357,739
Other	12,614,382	3,143,756
Total Expenses	33,543,034	22,055,593
Change in Net Position	\$ (3,697,192)	\$ 55,179,809

Governmental Activities

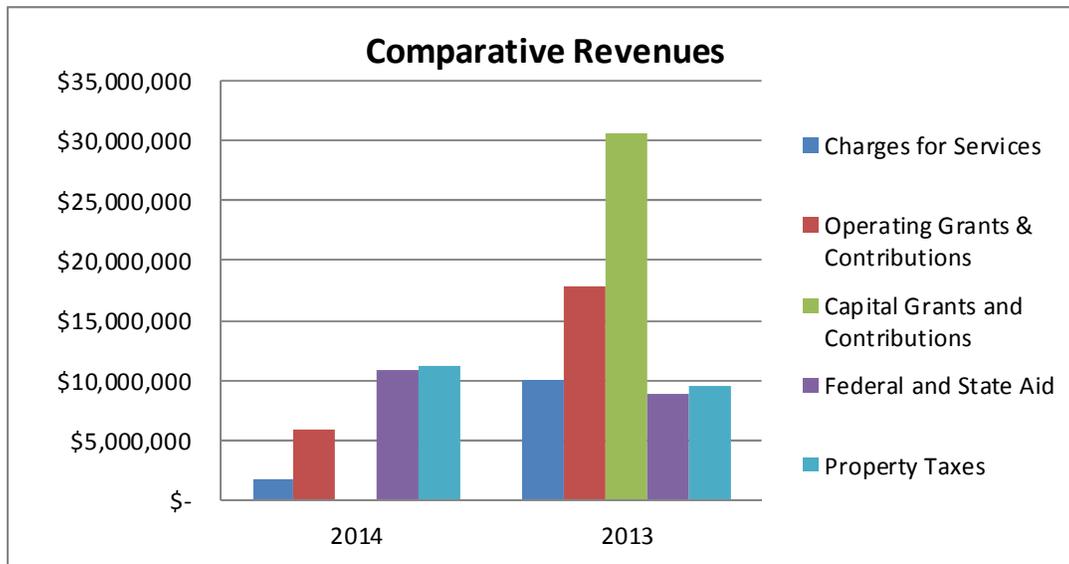
As reported in the *Statement of Activities* on page 17, the cost of all governmental activities this year was \$33,543,034. However, the amount that taxpayers ultimately financed for these activities through local taxes was \$11,177,552 because the cost was paid by those who benefited from the programs (\$1,721,203) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5,876,723). The District paid for the remaining "public benefit" portion of governmental activities with \$10,923,399 in Federal and State aid and \$146,965 with other revenues, like interest and general entitlements.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Schedule of Revenues for Governmental Functions

	2014	Percent of Total	2013	Percent of Total
Revenues				
Program revenues:				
Charges for services and sales	\$ 1,721,203	5.77%	\$ 10,112,430	13.09%
Operating grants and contributions	5,837,752	19.56%	17,864,119	23.13%
Capital grants and contributions	38,971	0.13%	30,679,185	39.72%
General revenues:				
Federal and State aid not restricted	10,923,399	36.60%	8,907,157	11.53%
Property taxes	11,177,552	37.45%	9,565,533	12.38%
Other Revenues	146,965	0.49%	106,978	0.15%
Total Revenues	\$ 29,845,842	100.00%	77,235,402	100.00%

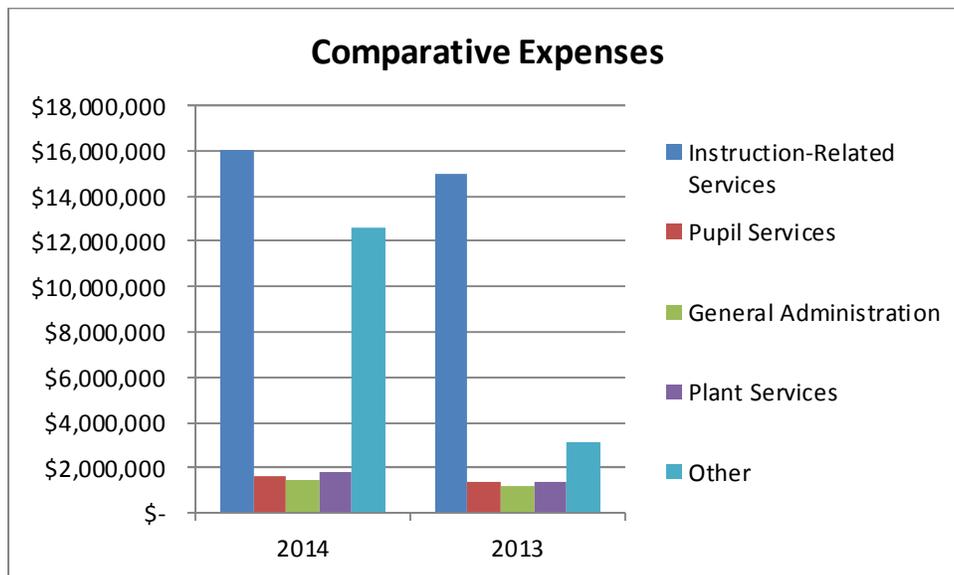


LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Schedule of Expenses for Governmental Functions

Expenses	2014		Percent of		2013		Percent of	
		Total		Total		Total		Total
Instruction-Related Services	\$ 16,028,746	47.79%	\$ 14,981,951	67.92%				
Pupil Services	1,628,538	4.86%	1,342,180	6.09%				
General Administration	1,436,057	4.28%	1,229,967	5.58%				
Plant Services	1,835,311	5.47%	1,357,739	6.16%				
Other	12,614,382	35.98%	3,143,756	14.25%				
Total Expenses	\$ 33,543,034	100.00%	\$ 22,055,593	100.00%				



LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related services, pupil services, administration, plant services, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction-Related Services	\$ 16,028,746	\$ 14,981,951	\$ 14,439,538	\$ (16,716,191)
Pupil Services	1,628,538	1,342,180	657,484	393,455
General Administration	1,436,057	1,229,967	1,312,950	805,671
Plant Services	1,835,311	1,357,739	1,830,712	1,353,981
Other	12,614,382	3,143,756	7,704,424	(22,437,057)
Total	\$ 33,543,034	\$ 22,055,593	\$ 25,945,108	\$ (36,600,141)

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 \$35,153,144 which decreased from last year's ending fund balance by \$72,163,741.

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General	\$ 4,305,472	\$ 18,490,966	\$ 18,654,692	\$ 4,141,746
Cafeteria	112,893	730,798	634,416	209,275
Deferred Maintenance	117,151	38,531	94,087	61,595
Debt Service	1,693,182	5,805,471	3,037,674	4,460,979
County School Facilities	32,289,302	38,971	28,979,663	3,348,610
Capital Facilities	* 32,731,502	1,361,589	23,484,554	10,608,537
Capital Project for Blended Component Unit	54,903,043	26,079,485	69,093,934	11,888,594
Special Reserve - Capital Outlay	8,027,591	8,269	7,602,052	433,808
Total	\$ 107,316,885	\$ 52,554,080	\$ 151,581,072	\$ 35,153,144

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2013. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 60.)

**Prior period adjustment, see note 15 for details*

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$180,393,177, net of accumulated depreciation in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, and equipment.

Table 5

	Capital Assets	
	2014	2013
Land	\$ 1,541,705	\$ 1,541,705
Construction in progress	112,063,493	35,444,436
Buildings and improvements	64,654,418	65,969,486
Equipment	2,133,561	932,238
Totals	\$ 180,393,177	\$ 103,887,865

We present more detailed information about capital assets in Note 4 of the financial statements.

Long-Term Obligations

At June 30, 2014, the District had \$144,156,308 in debt, consisting mainly of General Obligation Bonds.

Table 6

	Long-Term Obligations	
	2014	2013
General obligation bonds	\$ 95,263,808	\$ 70,197,914
Premium, net of Amortization	480,483	503,303
Discount, net of Amortization	(177,681)	(40,392)
Construction Loan	48,282,401	13,084,754
Lease Revenue Notes	-	30,345,000
Compensated absences	26,743	16,850
Net OPEB obligations	280,554	212,316
Totals	\$ 144,156,308	\$ 114,319,745

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:

- The District continued to increase in enrollment from 2,500 to 2,900. The growth came as a result of the Questa and Altamont Neighborhoods in the Mountain House area.
- With the growth mentioned above, additional certificated and classified staff were hired, materials purchased, and textbooks purchased for the K-8 Schools.
- 2013-2014 marked the near completion of two construction projects: Mountain House High School and Altamont Elementary.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District Budget for the 2014-2015 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- Local Control Funding Formula (LCFF) income.
- Interest earnings remained at prior year levels.
- State income remained at prior year levels in most categorical programs. Due to the changes in LCFF, most of the state income was rolled into the General Fund.
- Continued growth due to rapid home construction of the Questa and Hansen Village in Mountain House and the mitigation dollars received for the construction of the high school.

They key assumptions in our expenditure forecast are:

- Additional expenditures due to growth as stated above; September 2014 enrollment has exceeded 3,450.
- High school and an elementary school construction growth to continue throughout the year. One-time expense were required.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Business Services, Ms. Alvina Keyser, at Lammersville School District, 111 S. De Anza Boulevard, Mountain House, CA 95391 at (209) 836-7400 or email at alkeyser@sjcoe.net.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 38,617,457
Receivables	2,232,816
Stores inventories	15,804
Capital assets not depreciated	194,310,382
Less: Accumulated depreciation	(13,917,205)
Total Assets	221,259,254
LIABILITIES	
Accounts payable	4,761,142
Interest payable	2,816,691
Unearned revenue	15,008
Current portion of long-term obligations	2,392,991
Noncurrent portion of long-term obligations	141,763,317
Total Liabilities	151,749,149
NET POSITION	
Invested in capital assets, net of related debt	35,530,281
Restricted for:	
Debt service	4,460,979
Educational programs	321,161
Capital projects	26,279,549
Self Insurance	936,783
Other activities	270,870
Unrestricted	1,710,482
Total Net Position	\$ 69,510,105

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS – STATEMENT OF ACTIVITIES
 JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 13,853,432	\$ 1,638	\$ 1,426,173	\$ 38,971	\$ (12,386,650)
Instruction-related activities:					
Supervision of instruction	356,728	-	33,062	-	(323,666)
Instructional library, media, and technology	395,990	-	88,550	-	(307,440)
School site administration	1,422,596	-	814	-	(1,421,782)
Pupil services:					
Home-to-school transportation	166,868	-	-	-	(166,868)
Food services	605,379	403,943	293,407	-	91,971
All other pupil services	856,291	-	273,704	-	(582,587)
Administration:					
All other administration	1,237,767	48,473	74,454	-	(1,114,840)
Data Processing Services	198,290	-	180	-	(198,110)
Plant services	1,835,311	2,664	1,935	-	(1,830,712)
Ancillary services	21,425	2,110	3,174	-	(16,141)
Enterprise Activities	60,878	-	-	-	(60,878)
Interest on long-term obligations	8,829,887	-	-	-	(8,829,887)
Other outgo	3,702,192	1,262,375	3,642,299	-	1,202,482
Total Governmental Activities	\$ 33,543,034	\$ 1,721,203	\$ 5,837,752	\$ 38,971	\$ (25,945,108)
General revenues and subventions:					
Property taxes, levied for general purposes					5,378,793
Property taxes, levied for debt service					5,798,759
Federal and State aid not restricted to specific purposes					10,923,399
Interest and investment earnings					11,125
Miscellaneous					135,840
Subtotal, General Revenues					22,247,916
Change in Net Position					(3,697,192)
Net Position - Beginning					96,814,002
Restatement/Adjustment of Beginning Net Position					(23,606,705)
Net Position - Ending					\$ 69,510,105

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

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET
 JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
ASSETS			
Deposits and investments	\$ 2,733,987	\$ 12,217,814	\$ 4,304,258
Receivables	2,174,786	11,493	3,505
Due from other funds	25,045	-	-
Stores inventories	-	-	-
Total Assets	<u>4,933,818</u>	<u>12,229,307</u>	<u>4,307,763</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	777,064	1,620,770	959,153
Due to other funds	-	-	-
Unearned revenue	15,008	-	-
Total Liabilities	<u>792,072</u>	<u>1,620,770</u>	<u>959,153</u>
Fund Balances:			
Nonspendable	5,000	-	-
Restricted	316,161	10,608,537	3,348,610
Committed	-	-	-
Assigned	2,860,770	-	-
Unassigned	959,815	-	-
Total Fund Balance	<u>4,141,746</u>	<u>10,608,537</u>	<u>3,348,610</u>
Total Liabilities and Fund Balances	<u>\$ 4,933,818</u>	<u>\$ 12,229,307</u>	<u>\$ 4,307,763</u>

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

Capital Project Fund for Blended Component Unit	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total Governmental Funds
\$ 12,298,986	\$ 4,458,286	\$ 1,668,184	\$ 37,681,515
22,516	2,693	16,982	2,231,975
-	-	-	25,045
-	-	15,804	15,804
<u>12,321,502</u>	<u>4,460,979</u>	<u>1,700,970</u>	<u>39,954,339</u>
432,908	-	971,247	4,761,142
-	-	25,045	25,045
-	-	-	15,008
<u>432,908</u>	<u>-</u>	<u>996,292</u>	<u>4,801,195</u>
-	-	15,804	20,804
11,888,594	4,460,979	627,279	31,250,160
-	-	-	-
-	-	61,595	2,922,365
-	-	-	959,815
<u>11,888,594</u>	<u>4,460,979</u>	<u>704,678</u>	<u>35,153,144</u>
<u>\$ 12,321,502</u>	<u>\$ 4,460,979</u>	<u>\$ 1,700,970</u>	<u>\$ 39,954,339</u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds	\$ 35,153,144
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 194,310,382
Accumulated depreciation is	<u>(13,917,205)</u>
Net Capital Assets	180,393,177
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	
	(2,816,691)
An internal service fund is used by the District's management to charge the costs of the proprietary and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	
	936,783
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.	
Long-term obligations at year-end consist of:	
General obligation bonds	95,263,808
Construction Loan	48,282,401
Accumulated Vacation	26,743
Premium, net of amortization	480,483
Discount, net of amortization	(177,681)
Net OPEB obligation	<u>280,554</u>
Total Long-Term Obligations	<u>(144,156,308)</u>
Total Net Position - Governmental Activities	<u>\$ 69,510,105</u>

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

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 15,838,517	\$ -	\$ -
Federal sources	602,616	-	-
Other State sources	1,210,401	-	-
Other local sources	839,432	1,361,589	38,971
Total Revenues	18,490,966	1,361,589	38,971
EXPENDITURES			
Current			
Instruction	12,215,818	-	-
Instruction-related activities:			
Supervision of instruction	356,728	-	-
Instructional library, media and technology	395,990	-	-
School site administration	1,419,410	-	-
Pupil services:			
Home-to-school transportation	154,311	-	-
Food services	-	-	-
All other pupil services	856,291	-	-
Administration:			
All other administration	995,205	186,156	-
Data Processing Services	212,058	-	-
Plant services	1,394,968	-	-
Facility acquisition and construction		21,137,896	28,979,663
Ancillary services	21,425	-	-
Other outgo	632,488	-	-
Debt service			
Principal	-	1,901,054	-
Interest and other	-	259,448	-
Total Expenditures	18,654,692	23,484,554	28,979,663
Excess (Deficiency) of Revenues Over Expenditures	(163,726)	(22,122,965)	(28,940,692)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	(163,726)	(22,122,965)	(28,940,692)
Fund Balance - Previously Reported	4,305,472	5,868,251	32,289,302
Prior Period Adjustment*	-	26,863,251	-
Fund Balance - Beginning	4,305,472	32,731,502	32,289,302
Fund Balance - Ending	\$ 4,141,746	\$ 10,608,537	\$ 3,348,610

*Prior period adjustment for Capital Facilities Fund, see note 15 for details

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

Capital Project Fund for Blended Component Unit	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 15,838,517
-	-	287,182	889,798
-	-	19,342	1,229,743
26,079,485	5,805,471	471,074	34,596,022
<u>26,079,485</u>	<u>5,805,471</u>	<u>777,598</u>	<u>52,554,080</u>
-	-	-	12,215,818
-	-	-	356,728
-	-	-	395,990
-	-	-	1,419,410
-	-	-	154,311
-	-	605,379	605,379
-	-	-	856,291
-	-	25,045	1,206,406
-	-	-	212,058
-	-	98,079	1,493,047
20,880,893	-	7,602,052	78,600,504
-	-	-	21,425
-	-	-	632,488
43,092,093	215,000	-	45,208,147
5,120,948	2,822,674	-	8,203,070
<u>69,093,934</u>	<u>3,037,674</u>	<u>8,330,555</u>	<u>151,581,072</u>
<u>(43,014,449)</u>	<u>2,767,797</u>	<u>(7,552,957)</u>	<u>(99,026,992)</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>(43,014,449)</u>	<u>2,767,797</u>	<u>(7,552,957)</u>	<u>(99,026,992)</u>
54,903,043	1,693,182	8,257,635	107,316,885
-	-	-	26,863,251
54,903,043	1,693,182	8,257,635	134,180,136
<u>\$ 11,888,594</u>	<u>\$ 4,460,979</u>	<u>\$ 704,678</u>	<u>\$ 35,153,144</u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Governmental Funds **\$ (99,026,992)**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (1,775,881)	
Capital outlay	<u>78,281,193</u>	76,505,312

Increases in the liability for other postemployment benefits (OPEB) are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. Decreases to the liability are reported as expenditures in governmental funds, however, the payments reduce the long-term liability in the statement of net position. (68,238)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (9,893)

Proceeds from debt provided current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and issuance costs. (22,910,000)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net position and does not affect the statement of activities. 45,208,147

Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position. 22,820

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2014

Bond discounts are expense in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position.	137,289
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense.	(2,370,894)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is paid.	(1,325,627)
An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	140,884
Change in Net Position of Governmental Activities	<u>\$ (3,697,192)</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 935,942
Receivables	841
Total Current Assets	<u>936,783</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	-
Total Current Liabilities	<u>-</u>
NET POSITION	
Unrestricted	936,783
Total Net Position	<u>\$ 936,783</u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

JUNE 30, 2014

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 199,591
OPERATING EXPENSES	
Contract service and operating expenses	60,878
Operating Income (Loss)	<u>138,713</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>2,171</u>
Change in Net Position	140,884
Total Net Position - Beginning	<u>795,899</u>
Total Net Position - Ending	<u><u>\$ 936,783</u></u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from premiums	\$ 199,591
Cash paid for supplies and operating expenses	(61,140)
Net Cash Used by Operating Activities	<u>138,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,171
Net Increase in Cash and Cash Equivalents	<u>140,622</u>
Cash and Cash Equivalents - Beginning	795,320
Cash and Cash Equivalents - Ending	<u><u>\$ 935,942</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(262)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (262)</u></u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Agency Funds
ASSETS	
Deposits and investments	\$ 66,435
Total Assets	<u>66,435</u>
LIABILITIES	
Due to student groups	66,435
Total Liabilities	<u>\$ 66,435</u>

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lammersville Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees (the "Board") elected by registered voters of the District, which comprises an area in southern San Joaquin. The District was established in 1876 and serves students in grades K-8. The District operated four elementary schools during the year ended June 30, 2014.

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

Component Units

Component units are legally separate organizations for which the District is financially responsible. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with three joint power agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County School Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Data Processing Group

Basis of Presentation – Fund Accounting

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

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

Capital Project Funds The Capital Project Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital project funds:

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

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

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facility District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the debt service payments related to, the District's debt issuances.

Non-Major Governmental Funds

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

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Special Reserve Fund for Other Than Capital Outlay Project The Special Reserve Fund for Other Than Capital Outlay Project is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for Capital Outlay (Education Code Section 42840).

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

Basis of Accounting – Measurement Focus

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

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

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

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool are determined by the program sponsor.

Stores Inventory

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

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid. The District did not have any prepaid expenditures to report as of June 30, 2014.

Capital Assets and Depreciation

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land, 20 years; buildings and improvements, 7-50 years; equipment, 5-20 years; and vehicles, 8 years.

Interfund Balances

"In the financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net assets.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Bond Premiums and Discounts

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Fund Balance Reporting

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

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

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

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

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

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

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

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

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in district premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Property Tax

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

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

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

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

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

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

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

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

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

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

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

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government’s reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

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

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 37,681,515
Self Insurance fund	935,942
Fiduciary funds	66,435
Total Deposits and Investments	<u>\$ 38,683,892</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 82,720
Cash in revolving accounts	5,000
Cash with fiscal agent	12,298,912
Investments	26,297,260
Total Deposits and Investments	<u>\$ 38,683,892</u>

Policies and Practices

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Interest Rate Risk

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

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Days to Maturity</u>
San Joaquin County Investment Pool	\$ 26,307,719	265 days
BNY - Mellon	12,298,912	Less than 12 months
	<u>\$ 38,606,631</u>	

Credit Risk

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2014</u>	<u>Fair Value</u>
San Joaquin County Investment Pool	Not Required	Unrated	\$ 26,307,719
BNY - Mellon	Not Required	A-1+	12,298,912
			<u>\$ 38,606,631</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local government 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was \$161,105 with a carrying amount of \$87,720. The District's bank balance was insured to \$161,105.

Custodial Credit Risks – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The *California Government Code* and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Unit
Federal Government				
Categorical aid	\$ 122,412	\$ -	\$ -	\$ -
State Government				
Apportionment	1,651,344	-	-	-
Categorical aid	-	-	-	-
Other State	160,325	-	-	-
Local Government				
Interest	2,892	11,493	3,505	180
Other Local Sources	237,813	-	-	22,336
Total	<u>\$ 2,174,786</u>	<u>\$ 11,493</u>	<u>\$ 3,505</u>	<u>\$ 22,516</u>

	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total	Self Insurance Funds
Federal Government				
Categorical aid	\$ -	\$ 6,823	129,235	-
State Government				
Apportionment	-	-	1,651,344	-
Categorical aid	-	-	-	-
Other State	-	350	160,675	-
Local Government				
Interest	2,693	1,022	21,785	578
Other Local Sources		8,787	268,936	263
Total	<u>\$ 2,693</u>	<u>\$ 16,982</u>	<u>\$ 2,231,975</u>	<u>\$ 841</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,541,705	\$ -	\$ -	\$ 1,541,705
Construction in Progress	35,444,436	76,619,057	-	112,063,493
Total Capital Assets Not Being Depreciated	36,986,141	76,619,057	-	113,605,198
Capital Assets Being Depreciated:				
Land Improvements	2,989,528	-	-	2,989,528
Buildings and Improvements	74,211,481	351,669	-	74,563,150
Furniture and Equipment	1,842,039	1,310,467	-	3,152,506
Total Capital Assets Being Depreciated	79,043,048	1,662,136	-	80,705,184
Total Capital Assets	116,029,189	78,281,193	-	194,310,382
Less Accumulated Depreciation:				
Land Improvements	1,354,523	140,307	-	1,494,830
Buildings and Improvements	9,877,000	1,526,430	-	11,403,430
Furniture and Equipment	909,801	109,144	-	1,018,945
Total Accumulated Depreciation	12,141,324	1,775,881	-	13,917,205
Governmental Activities Capital Assets, Net	\$ 103,887,865	\$ 76,505,312	\$ -	\$ 180,393,177

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

Governmental Activities	
Instruction	\$ 1,719,592
School Site Administration	3,186
Home-to-School Transportation	12,557
All Other General Administration	31,361
Data Processing	9,185
	<u>\$ 1,775,881</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances consist of amounts due to and due from other funds. Interfund receivable and payable balances at June 30, 2014 consist of the following:

The General Fund has a due from other funds of \$25,045 from the Cafeteria Fund.

Balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Capital Facilities Fund	County Schools Facilities Fund	Capital Project Fund for Blended Component Unit	Other Non-Major Fund	Total
Vendor payables	\$ 653,520	\$ 165,916	\$ 675,621	\$ 432,908	\$ 10,069	\$1,938,034
Construction	-	1,454,854	283,532	-	959,809	2,698,195
Salaries and benefits	123,544	-	-	-	1,369	124,913
Total	<u>\$ 777,064</u>	<u>\$1,620,770</u>	<u>\$ 959,153</u>	<u>\$ 432,908</u>	<u>\$ 971,247</u>	<u>\$4,761,142</u>

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund
Federal categorical aid	\$ 15,008
Other Local	-
Total	<u>\$ 15,008</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions/ Adjustments	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 70,197,914	\$ 25,280,894	\$ 215,000	\$ 95,263,808	\$ 2,350,000
Construction Loan	13,084,754	49,845,794	14,648,147	48,282,401	-
Lease Revenue Notes	30,345,000	-	30,345,000	-	-
Accumulated Vactaion	16,850	9,893	-	26,743	26,743
Net OPEB Obligation	212,316	265,994	197,756	280,554	-
	<u>\$ 113,856,834</u>	<u>\$ 75,402,575</u>	<u>\$ 45,405,903</u>	<u>\$ 143,853,506</u>	<u>\$ 2,376,743</u>
Premium, net of Amortization	503,303	-	22,820	480,483	22,820
Discount, net of Amortization	(40,392)	(143,861)	(6,572)	(177,681)	(6,572)
	<u><u>\$ 114,319,745</u></u>	<u><u>\$ 75,258,714</u></u>	<u><u>\$ 45,422,151</u></u>	<u><u>\$ 144,156,308</u></u>	<u><u>\$ 2,392,991</u></u>

Bonds

The outstanding general obligation bonded debt of the District at June 30, 2014 is as follows:

Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2014
			Outstanding July 1, 2013	Accretion/ Issued	Redeemed	
9/1/2035	3.9%-5.125%	\$ 25,000,000	\$ 24,500,000	\$ -	\$ 185,000	\$ 24,315,000
9/1/2038	3.5%-6.5%	1,895,000	1,780,000	-	30,000	1,750,000
9/1/2032	0.00%-5.375%	24,352,914	24,352,914	2,370,894	-	26,723,808
9/1/2037	2.00%-5.00%	19,565,000	19,565,000	-	-	19,565,000
9/1/2043	3.00%-6.00%	22,910,000	-	22,910,000	-	22,910,000
			<u>\$ 70,197,914</u>	<u>\$ 25,280,894</u>	<u>\$ 215,000</u>	<u>\$ 95,263,808</u>

Special Tax Bonds

On September 12, 2002, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of \$25,000,000 for the purpose of financing acquisition and construction of certain elementary school facilities to be owned and operated by the School District. The issuance was composed of \$3,985,000 Current Interest Serial Bonds and two Term Bonds for \$5,830,000 and \$15,185,000. The Current Interest Serial Bonds accrue interest up to a maximum of 6% per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing March 1, 2003. The Term Bonds accrue interest up to a maximum of 6.3 percent and 6.375 percent, respectively, per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year, commencing on March 1, 2003.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

On August 4, 2006, the District through the Community Facilities District, issued Special Tax Bonds, (Bonds) in the amount of \$25,000,000 for the purpose of financing acquisition and construction of certain elementary school facilities to be owned and operated by the School District. The issuance was composed of \$2,650,000 Current Interest Serial Bonds and three term bonds of \$1,060,000, \$3,785,000, and \$17,505,000. The Current Interest Serial Bonds accrue interest up to a maximum of 4.875 percent per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing March 1, 2007. The Term Bonds accrue interest up to a maximum of 5 percent, 5.060 percent and 5.125 percent, respectively, per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year, commencing on March 1, 2007.

On July 17, 2008, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of \$1,895,000 for the purpose of financing acquisition and construction of certain elementary school facilities to be owned and operated by the School District. The issuance was composed of \$565,000 Current Interest Serial Bonds and two term bonds of \$315,000 and \$1,015,000. The Current Interest Serial Bonds accrue interest up to a maximum of 6 percent per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing March 1, 2009. The Term Bonds accrue interest up to a maximum of 6.4 percent and 6.625 percent, respectively, per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year, commencing on March 1, 2009.

On June 21, 2012, the District, through the Community Facilities District, issued Special Tax Refunding Bonds in the amount of \$24,352,914 for the purpose of refunding the outstanding Special Tax Bonds issued on September 12, 2002. The Bonds are initially issued as Convertible Capital Appreciation Bonds and will accrete interest until their conversion date on September 1, 2015. After the conversion date, the Bonds will accrue interest up to a maximum of 5.3 percent payable semiannually on March 1 and September 1 of each year commencing on March 1, 2016.

On February 7, 2013, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of \$19,565,000 for the purpose of financing acquisition and construction of certain public school facilities and improvements to be owned and operated by the School District. The issuance was composed of \$6,955,000 Current Interest Serial Bonds and one term bond of \$12,610,000. The Current Interest Serial Bonds accrue interest up to a maximum of 4.25 percent per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013. The Term Bond accrue interest up to a maximum of 5.0 percent per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year commencing September 1, 2013.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Debt Service Requirements to Maturity

The bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 2,350,000	\$ 3,380,029	\$ 5,730,029
2016	2,415,000	3,435,323	5,850,323
2017	1,080,382	5,586,048	6,666,430
2018	1,227,827	5,614,215	6,842,042
2019	1,384,367	5,634,236	7,018,603
2020-2024	9,656,868	28,428,925	38,085,793
2025-2029	15,776,767	28,324,015	44,100,782
2030-2034	24,641,703	24,164,436	48,806,139
2035-2039	24,245,000	6,276,031	30,521,031
2040	10,115,000	1,918,800	12,033,800
Total	<u>\$ 92,892,914</u>	<u>\$ 112,762,058</u>	<u>\$ 205,654,972</u>
Accretion to Date	<u>2,370,894</u>		
	<u>\$ 95,263,808</u>		

Construction Loan

On July 7, 2012, in accordance with the Shortfall Assurance Agreement between the District and Shea Mountain House, LLC (SMH), the District received a loan of \$52 million for the construction of Mountain House High School. Any SMH shortfall funding advances will be reimbursed, as per the School Facilities Mitigation Agreement, from state construction funding received by the District, or a subsequent CFD bond sale. Interest is calculated using the Interest Rate Index.

Lease Revenue Note

On March 18, 2013, the District issued notes designated as The Lammersville Schools Finance Authority 2013 Lease Revenue notes (Mountain House High School Project) in the aggregate principal amount of \$30,345,000 (Lease Revenue Notes). The Lease Revenue Notes accrue interest of 1.950 percent per annum from the date of issuance and compound semiannually on October 1 and April 1 of each year commencing October 1, 2013. The entire principal amount is due on April 1, 2016.

As of June 30, 2014, the full \$30,345,000 has been paid in full.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$26,743.

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2014. The District's annual required contribution for the year ended June 30, 2014 was \$255,378 and the District has made contributions of \$197,756 during the year, which resulted in an OPEB obligation of \$280,554. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 – FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Unit
Fund Balances				
Nonspendable:				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -
Stores	-	-	-	-
Restricted for:				
Purpose of fund	316,161	10,608,537	3,348,610	11,888,594
Committed to:				
Purpose of fund	-	-	-	-
Assigned to:				
MHHS Remaining 1T expense	444,276	-	-	-
MHHS Grades 11-12 Start-UP	230,000	-	-	-
MHHS Athletic Transportation	130,000	-	-	-
Public Disclosure	90,000	-	-	-
Altamon/Maint. Start Up	250,000	-	-	-
Affordable Care Act (Reserve)	25,000	-	-	-
Supplmental Grant LCFF	106,927	-	-	-
PLTW (beg. 14-15)	190,000	-	-	-
Curriculum/Textbooks/Ebooks	225,000	-	-	-
Future Track & Turf Replacement	125,000	-	-	-
Potential STRS 15/16	160,000	-	-	-
Potential Art & Music Expansion	350,000	-	-	-
MAA	45,038	-	-	-
Mandated Costs	120,853	-	-	-
Other Assigned	368,676	-	-	-
Unassigned:				
Reserve for Economic Uncertainty	559,641	-	-	-
Other unassigned	400,174	-	-	-
Total Fund Balance	\$ 4,141,746	\$ 10,608,537	\$ 3,348,610	\$ 11,888,594

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 5,000
-	15,804	15,804
4,460,979	627,279	31,250,160
-	-	-
-	-	444,276
-	-	230,000
-	-	130,000
-	-	90,000
-	-	250,000
-	-	25,000
-	-	106,927
-	-	190,000
-	-	225,000
-	-	125,000
-	-	160,000
-	-	350,000
-	-	45,038
-	-	120,853
-	61,595	430,271
-	-	559,641
-	-	400,174
<u>\$ 4,460,979</u>	<u>\$ 704,678</u>	<u>\$ 35,153,144</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Lammersville Unified School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 4 retirees and beneficiaries currently receiving benefits and 152 active plan members. The unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

	<u>Board</u>	<u>Certificated</u>	<u>Classified</u>
<u>Benefit Types Provided</u>	Medical, Dental and Vision	Medical, Dental and Vision	Medical, Dental and Vision
Duration of Benefits	Lifetime	To Age 65	To Age 65
Required Service	12 Years	10 years	15 years
Minimum Age	None	55	55
Dependent Coverage	Yes	No	No
District Contribution %	100%	100%	100%
District Cap	None	\$896/month	\$519/month

Contribution Information

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

Annual OPEB Cost and Net OPEB Obligation

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Annual required contribution	\$ 255,378
Interest on net OPEB obligation	10,616
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>265,994</u>
Contributions made	<u>(197,756)</u>
Increase in net OPEB obligation	68,238
Net OPEB obligation, beginning of year	<u>212,316</u>
Net OPEB obligation, end of year	<u>\$ 280,554</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2014 was as follows:

Year Ended June 30	Annual OPEB cost (expense)	Percentage Contributed	Net OPEB Obligation
2012	\$ 191,103	80%	\$ 130,855
2013	\$ 261,921	69%	\$ 212,316
2014	\$ 265,994	74%	\$ 280,554

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5 percent after two years. Both rates included a one percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 29 years.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District contracted for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Coverage provided for property and liability and workers' compensation is as follows:

<u>Insurance Program/Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Northern California ReLIEF Protected Insurance Program for Schools	Workers' Compensation	\$1,000,000
	General Liability	\$1,000,000 with \$50,000 retention
	Automobile	\$1,000,000 with \$50,000 retention
	Property	\$250,000,000 with \$25,000 retention
	Student Professional Liability	Included with \$50,000 retention

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees Retirement System (PERS).

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, with the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$682,539, \$616,447, and \$533,040 respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, and legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$239,913, \$213,302, and \$172,689, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal Law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative program. The District has elected to use the Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$472,743 (5.541 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have not been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

The Lammersville Unified School District participates in three joint ventures under joint powers agreements (JPA's): San Joaquin County Schools Workers' Compensation Insurance Group, San Joaquin County Property and Liability Insurance Group, and San Joaquin County Data Processing. The relationship between the Lammersville Unified School District and the JPA's are such that the JPA's are not component units of the Lammersville Unified School District for financial reporting purposes.

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

During the year ended June 30, 2014, the District made payments to the risk pools and joint powers agencies as follows:

Joint Power Authority	Payments Made
San Joaquin County Schools Workers' Compensation Insurance Group	\$ 218,584
San Joaquin County Property and Liability Insurance Group	112,007
San Joaquin County Data Processing	86,663

NOTE 15 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. Under the provisions of GASB 65, deferred issuance costs are now considered to be period expenses and are no longer deferred and amortized to expense. As a result, the deferred issuance cost as of July 1, 2013 in the amount of \$624,162 have been offset against beginning net position in the government-wide financial statement.

Additionally, on July 7, 2012 the District entered into an agreement with SHEA Mountain House LLC (SMH) for a \$52,000,000 construction loan. At June 30, 2013, the District had a remaining loan balance of \$49,845,794. Of this amount, \$26,863,251 was booked as a deferred amount in the Capital Facilities Fund with the remaining balance of \$22,982,543 recognized as revenue; this resulted in a \$26,863,251 understatement of revenue in the Capital Facilities Fund and a \$22,982,543 understatement of liabilities on the Government-Wide Financial Statements.

The Capital Facilities Fund beginning fund balance was restated as of July 1, 2013 by \$26,863,251 to report revenue in the proper period. Also, the Government-Wide Net Position was restated as of July 1, 2013 by \$22,982,543 to increase the associated long term liability.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Statement of Net Position

Net Position - Beginning	\$ 96,814,002
Restatement /long-term debt	(22,982,543)
Restatement/cost of issuance	(624,162)
Net Position - Beginning as Restated	<u>\$ 73,207,297</u>

Capital Facilities

Fund Balance - Beginning	\$ 5,868,251
Adjustment/Revenue from loan	26,863,251
Fund Balance - Beginning as Adjusted	<u>\$ 32,731,502</u>

II - Required Supplementary Information

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 12,801,058	\$ 16,304,858	\$ 15,838,517	\$ (466,341)
Federal sources	666,710	669,663	602,616	(67,047)
Other State sources	1,785,243	1,115,756	1,210,401	94,645
Other local sources	664,921	826,250	839,432	13,182
Total Revenues	15,917,932	18,916,527	18,490,966	(425,561)
EXPENDITURES				
Current				
Certificated salaries	8,408,579	8,775,048	8,634,851	140,197
Classified salaries	1,724,874	1,933,947	1,901,783	32,164
Employee benefits	3,283,712	3,537,896	3,404,099	133,797
Books and supplies	517,055	1,469,190	1,281,515	187,675
Services and operating expenditures	2,096,386	3,275,439	2,792,633	482,806
Other outgo	427,596	616,394	616,858	(464)
Capital Outlay	-	28,295	22,953	5,342
Total Expenditures	16,458,202	19,636,209	18,654,692	981,517
Excess (Deficiency) of Revenues				
Over Expenditures	(540,270)	(719,682)	(163,726)	555,956
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(540,270)	(719,682)	(163,726)	555,956
Fund Balance - Beginning, As Restated	4,305,472	4,305,472	4,305,472	
Fund Balance - Ending	\$ 3,765,202	\$ 3,585,790	\$ 4,141,746	\$ 555,956

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 JUNE 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Union Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Estimated Coverage Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2009	\$ 380,348	\$ 872,316	\$ 491,968	43.6%	\$ 8,146,331	6.0%
July 1, 2012	\$ -	\$ 1,266,663	\$ 1,266,663	0.0%	\$ 9,340,710	13.6%

III - Supplementary Information

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 226,323
Subtotal Title I Grants to Local Educational Agencies Cluster			<u>226,323</u>
Title II - Improving Teacher Quality	84.367	14341	6,015
Title III - Immigrant Education Program	84.365	15146	8,294
Title III - Limited English Proficient Student Program	84.365	14346	30,292
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	283,572
IDEA, Preschool Grant, Part B	84.173	13430	12,467
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	<u>18,667</u>
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			<u>314,706</u>
Total U.S. Department of Education			<u>585,630</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	256,927
School Breakfast Program	10.553	13526	<u>30,255</u>
Total U.S. Department of Agriculture			<u>287,182</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Medical Billing Option	93.778	10013	21,232
Total Expenditures of Federal Awards			<u>\$ 894,044</u>

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE FOR THE YEAR ENDED JUNE 30, 2014

ORGANIZATION

Lammersville Elementary School District was established in 1876 and is comprised of an area of approximately 27 square miles located in San Joaquin County. On January 25, 2011 the California State Superintendent of Public Instruction approved the reorganization of Lammersville Unified School District as Lammersville Joint Unified School District. On July 1, 2011, the unification to Lammersville Unified School District became effective and was replaced in its entirety by Lammersville Joint Unified School District. There were no changes in the boundaries of the District in the current year. The District operated four elementary schools during the year ended June 30, 2014.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Pombo	President	2016
Matthew Balzarini	Clerk	2016
Sharon Lampel	Member	2014
Shane Nielson	Member	2016
Micaela Vergara	Member	2014

ADMINISTRATION

Dr. Kirk Nicholas	Superintendent
Dr. Khushwinder Gill	Assistant Superintendent Elementary Education
Alvina Keyser	Chief Business Official

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
	<hr/>	<hr/>
ELEMENTARY		
Kindergarten	339	341
First through third	908	909
Fourth through sixth	864	864
Seventh and eighth	507	508
Total Elementary	<hr/> <u>2,618</u>	<hr/> <u>2,622</u>

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	1986-87	1986-87	2013-2014	Number of Days		Status
	Minutes Requirement	Adjusted & Reduced	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	63,120	180	N/A	Complied
Grades 1-3						
Grade 1	50,400	49,000	53,220	180	N/A	Complied
Grade 2	50,400	49,000	53,220	180	N/A	Complied
Grade 3	50,400	49,000	53,220	180	N/A	Complied
Grades 4-6						
Grade 4	54,000	52,500	59,430	180	N/A	Complied
Grade 5	54,000	52,500	59,430	180	N/A	Complied
Grade 6	54,000	52,500	59,430	180	N/A	Complied
Grades 7-8						
Grade 7	54,000	52,500	59,430	180	N/A	Complied
Grade 8	54,000	52,500	59,430	180	N/A	Complied

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

FORM DEBT

Total Liabilities, June 30, 2014, Unaudited Actuals	\$ 141,084,415
Increase in:	
General Obligation Bonds	2,700,894
Premium, net of Amortization	480,483
Discounts, net of Amortization	(177,681)
Net OPEB obligation	68,238
Decrease in:	
Lease Revenue Notes	(41)
Total Liabilities, June 30, 2014, Audited Financial Statements	<u>\$ 144,156,308</u>

FORM ASSET

Total Capital Assets, June 30, 2014, Unaudited Actuals	\$ 75,814,466
Increase in:	
Construction in Progress	105,368,340
Land and Building Improvements	1,422,355
Furniture and Equipment	1,329,270
Accumulated Depreciation	(5,067,683)
Total Capital Assets, June 30, 2014, Audited Financial Statements	<u>\$ 178,866,748</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Description	Capital Facilities Fund	Capital Project Fund for Blended Component Unit
June 30, 2014 Annual Financial and Budget Report Fund Balance	\$ 1,453,070	\$ 12,299,166
Adjustments and Reclassifications		
Increasing (Decreasing) Fund Balances:		
Overstatement of Revenue	-	(410,572)
Overstatement of Unearned Revenue	9,155,467	-
Net Adjustments and Reclassification	<u>9,155,467</u>	<u>(410,572)</u>
June 30, 2014 Audited Financial Statements Fund Balance	<u>\$ 10,608,537</u>	<u>\$ 11,888,594</u>

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2014.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 23,343,828	\$ 18,490,966	\$ 15,280,235	\$ 14,276,465
Other sources and transfers in	-	-	-	-
Total Revenues	<u>23,343,828</u>	<u>18,490,966</u>	<u>15,280,235</u>	<u>14,276,465</u>
Expenditures	23,432,463	18,654,692	15,009,199	13,222,587
Other uses and transfers out	-	-	19,356	-
Total Expenditures and Other Uses	<u>23,432,463</u>	<u>18,654,692</u>	<u>15,028,555</u>	<u>13,222,587</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (88,635)</u>	<u>\$ (163,726)</u>	<u>\$ 251,680</u>	<u>\$ 1,053,878</u>
ENDING FUND BALANCE	<u>\$ 4,053,111</u>	<u>\$ 4,141,746</u>	<u>\$ 4,305,472</u>	<u>\$ 4,053,792</u>
AVAILABLE RESERVES ²	<u>\$ 1,401,260</u>	<u>\$ 959,815</u>	<u>\$ 2,759,462</u>	<u>\$ 866,012</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>5.98%</u>	<u>5.15%</u>	<u>18.36%</u>	<u>6.50%</u>
LONG-TERM OBLIGATIONS	<u>\$141,763,317</u>	<u>\$144,156,308</u>	<u>\$114,319,745</u>	<u>\$ 63,339,463</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>3,176</u>	<u>2,618</u>	<u>2,306</u>	<u>2,114</u>

The General Fund balance has increased by \$87,954 over the past two years. The fiscal year 2014-2015 budget projects a budget decrease of \$88,635. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. The total long-term obligations have increased by \$80,816,845 over the past two years.

Average daily attendance has increased by 504 over the past two years. An increase of 558 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

JUNE 30, 2014

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
The District does not sponsor any charter schools.	N/A

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>
ASSETS			
Deposits and investments	\$ 203,958	\$ 66,719	\$ 1,397,507
Receivables	16,052	44	886
Stores	15,804	-	-
Total Assets	<u>235,814</u>	<u>66,763</u>	<u>1,398,393</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,494	5,168	964,585
Due to other funds	25,045	-	-
Total Liabilities	<u>26,539</u>	<u>5,168</u>	<u>964,585</u>
Fund Balances:			
Nonspendable	15,804	-	-
Restricted	193,471	-	433,808
Committed	-	-	-
Assigned	-	61,595	-
Unassigned	-	-	-
Total Fund Balance	<u>209,275</u>	<u>61,595</u>	<u>433,808</u>
Total Liabilities and Fund Balances	<u>\$ 235,814</u>	<u>\$ 66,763</u>	<u>\$ 1,398,393</u>

See accompanying note to supplementary information.

**Total Non-Major
Governmental
Funds**

\$ 1,668,184
16,982
15,804

1,700,970

971,247
25,045

996,292

15,804
627,279
-
61,595
-

704,678

\$ 1,700,970

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Capital Outlay Projects Fund
REVENUES			
Federal Sources	\$ 287,182	\$ -	\$ -
Other State sources	19,342	-	-
Other local sources	424,274	38,531	8,269
Total Revenues	730,798	38,531	8,269
EXPENDITURES			
Current			
Pupil services:			
Food services	605,379	-	-
Administration			
All other administration	25,045	-	-
Plant services	3,992	94,087	-
Facilities Acquisitions and Construction	-	-	7,602,052
Debt Service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	634,416	94,087	7,602,052
Excess (Deficiency) of Revenues			
Over Expenditures	96,382	(55,556)	(7,593,783)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	96,382	(55,556)	(7,593,783)
Fund Balance - Beginning	112,893	117,151	8,027,591
Fund Balance - Ending	\$ 209,275	\$ 61,595	\$ 433,808

See accompanying note to supplementary information.

Total Non-Major Governmental Funds	
	<hr/>
\$	287,182
	19,342
	471,074
	<hr/>
	777,598
	<hr/>
	605,379
	25,045
	98,079
	7,602,052
	-
	-
	<hr/>
	8,330,555
	<hr/>
	(7,552,957)
	<hr/>
	-
	-
	<hr/>
	(7,552,957)
	8,257,635
	<hr/>
\$	704,678
	<hr/>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

NOTE 1 – PURPOSES OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Medi-Cal Billing Option funds that have been recorded revenue in prior periods and expensed in the current period as of June 30, 2014. Unspent balances are reported as legally restricted ending balances with the General Fund.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 889,798
Medi-Cal Billing Option	93.778	4,246
Total Schedule of Expenditures of Federal Awards		<u>\$ 894,044</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Charter School

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for fiscal year ended June 30, 2014.

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

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

IV - Independent Auditors' Reports

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Cichella & Tokunaga, LLP

Certified Public Accountants

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

Governing Board
Lammersville Unified School District
Lammersville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lammersville Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lammersville Unified School District's basic financial statements, and have issued our report thereon dated December 3, 2014.

Change in Accounting Principles

As discussed in Note 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Carroll + Tolinger, LLP

El Dorado Hills, California
December 3, 2014

Cichella & Tokunaga, LLP

Certified Public Accountants

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

Governing Board
Lammersville Unified School District
Lammersville, California

Report on Compliance for Each Major Federal Program

We have audited Lammersville Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lammersville Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Lammersville Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each Lammersville Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lammersville Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Lammersville Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lammersville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Lammersville Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lammersville Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lammersville Unified School District's internal control over compliance.

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

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

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

Cochell + Tolson, LLP

El Dorado Hills, California
December 3, 2014

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Lammersville Unified School District
Lammersville, California

Report on State Compliance

We have audited Lammersville Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Lammersville Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on each of the Lammersville Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lammersville Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lammersville Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the State Programs

In our opinion, Lammersville Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

Other Matter

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent Study	23	No, See Below
Continuation education	10	Not Applicable
Instructional Time:		
School districts	10	Yes
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Accounts Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Count	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non-classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Independent Study because the ADA generated from the program is below the testing threshold.

Cubell + Tolson, LLP

El Dorado Hills, California
December 3, 2014

V - Schedule of Findings and Questioned Costs

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A	Special Education Cluster

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

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	
Unmodified for all programs?	<u>Yes</u>

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None Reported

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None Reported

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None Reported

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no prior year findings reported for June 30, 2013.

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