

**CENTRAL UNIFIED SCHOOL DISTRICT**  
Fresno, California

**FINANCIAL STATEMENTS**  
June 30, 2014

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	19
Statement of Net Position - Proprietary Funds	21
Statement of Change in Net Position - Proprietary Funds	22
Statement of Cash flows - Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities - Agency Funds	24
Notes to Financial Statements	25
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	57
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	58
Notes to Required Supplementary Information	59

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

**TABLE OF CONTENTS**  
(Continued)

	<b><u>Page</u></b>
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	60
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	61
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	62
Organization	63
Schedule of Average Daily Attendance	64
Schedule of Instructional Time	65
Schedule of Expenditure of Federal Awards	66
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	68
Schedule of Financial Trends and Analysis - Unaudited	69
Schedule of Charter Schools	70
Notes to Supplementary Information	71
Independent Auditor's Report on Compliance with State Laws and Regulations	73
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance	77

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

**TABLE OF CONTENTS**  
(Continued)

	<b><u>Page</u></b>
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	79
Status of Prior Year Findings and Recommendations	83

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Central Unified School District  
Fresno, California

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 13, the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 57 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 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.

### *Supplementary Information*

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

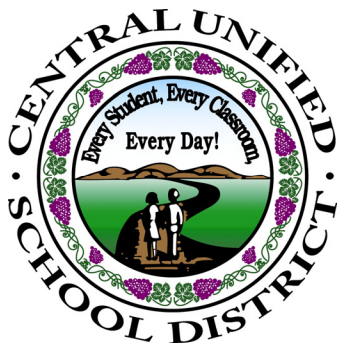
The schedule of expenditure of federal awards and supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of Central 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 Central Unified School District's internal control over financial reporting and compliance.

  
Crowe Horwath LLP



## CENTRAL UNIFIED SCHOOL DISTRICT

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### BOARD OF TRUSTEES

Richard Atkins

Cynthia Berube

Ruben Coronado

Terry Cox

Rama Dawar

Cesar Granda

Leonard G. Ramirez

### SUPERINTENDENT

Michael A. Berg

This section of Central Unified School District's (District) annual financial report represents the Fiscal Services Management discussion and analysis of the District's financial performance during the fiscal year (FY) that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

The *Government-Wide Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec) N50 118-121.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

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

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

## ***REPORTING THE DISTRICT AS A WHOLE***

### ***The Statement of Net Position and the Statement of Activities***

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

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and liabilities, 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 Board's responsibility is to provide services to our students and not to generate a profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

***Governmental activities*** – Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

***Business-type activities*** – The District charges fees to help cover the costs of certain services it provides. The District's after school services are included here.



## ***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 measure cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

***Proprietary funds*** – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Change in Net Position*. In fact, the District's enterprise funds are the same as the business-type activities and we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities. The internal service funds are reported with governmental activities in the government-wide financial statements.

## ***THE DISTRICT AS 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, and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Assets and Liabilities*. 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 the intended purposes.

## THE DISTRICT AS A WHOLE

### Net Position

The District's governmental activities net position was \$109.2 million for the fiscal year ended June 30, 2014, and \$108.9 million for the fiscal year ended June 30, 2013; an increase of \$0.4 million. Of this amount, \$3.3 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

<b>TABLE 1</b>								
	Governmental Activities		Business-Type Activities		Total School District			
	2014	2013	2014	2013	2014	2013		Change
Current and other assets	\$ 57,651,285	\$ 57,315,255	\$ 391,128	\$ 234,685	\$ 58,042,413	\$ 57,549,940		1%
Capital assets	221,699,424	213,867,359			\$221,699,424	\$213,867,359		4%
Total Assets	279,350,709	271,182,614	391,128	234,685	\$279,741,837	\$271,417,299		3%
Deferred loss on refunding of debt	1,093,500	-	-	-	1,093,500	-		100%
Current liabilities	22,425,008	23,232,285	12,201	11,451	\$22,437,209	\$23,243,736		-3%
Long-term liabilities	148,719,968	138,986,579			\$148,719,968	\$138,986,579		7%
Total Liabilities	171,144,976	162,218,864	12,201	11,451	\$171,157,177	\$162,230,315		6%
Net investment in capital assets	93,010,142	92,767,434			\$93,010,142	\$92,767,434		0%
Restricted	12,991,770	11,427,712	378,927	223,234	\$13,370,697	\$11,650,946		15%
Unrestricted	3,297,321	4,768,604			\$3,297,321	\$4,768,604		-31%
Total Net Position	\$ 109,299,233	\$ 108,963,750	\$ 378,927	\$ 223,234	\$ 109,678,160	\$ 109,186,984		0%

<b>TABLE 2</b>							
	Governmental		Business-Type		Total		
	Activities		Activities		School District		
	2014	2013	2014	2013	2014	2013	Change
Program Revenues							
Charges for Services	\$2,049,245	\$2,191,571	\$37,809	\$17,724	\$2,087,054	\$2,209,295	-6%
Operating Grants & Contributions	24,854,773	24,621,252	-	24,245	24,854,773	24,645,497	1%
Capital Grants and Contributions	-	-	-	-	-	-	
General Revenues							
Taxes and Subventions	17,393,038	16,713,148	-	-	17,393,038	16,713,148	4%
Federal and State Aid, Unrestricted	89,082,667	77,924,388	-	-	89,082,667	77,924,388	14%
Interagency Revenues	-	-	-	-	-	-	
Interest and Investment Earnings	887,813	375,513	11,632	1,800	899,445	377,313	138%
Special and extraordinary items	4,793	4,682			4,793	4,682	
Internal Transfers	5,761	(13,144)	(5,761)	13,144	-	-	
Other General Revenues	3,881,244	1,898,206	598,016	588,711	4,479,260	2,486,917	80%
Enterprise Activities							
Total Revenues	138,159,334	123,715,616	641,696	645,624	138,801,030.22	124,361,240.00	12%
Expenses							
Instructional Related	85,383,450	80,798,645	-	-	85,383,450	80,798,645	6%
Student Support Services	19,962,221	19,249,858	-	-	19,962,221	19,249,858	4%
General Administrative	7,768,134	7,487,149	-	-	7,768,134	7,487,149	4%
Maintenance and Operations	15,125,123	13,925,367	-	-	15,125,123	13,925,367	9%
Other	9,584,923	9,357,739	-	-	9,584,923	9,357,739	2%
Enterprise Activities			486,003	498,778	486,003	498,778	-3%
Total Expenses	\$137,823,851	\$130,818,758	\$486,003	\$498,778	\$138,309,854	\$131,317,536	5%
Change in Net Position	\$335,483	(\$7,103,142)	\$155,693	\$146,846	\$491,176	(\$6,956,296)	-107%

Unrestricted net position of governmental activities represent the *accumulated* results of all past years' operations.

### Changes in Net Position

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

### Governmental Activities

As reported in the Statement of Activities, the cost of all District governmental activities for FY 2013-2014 was \$137.8 million as compared to \$130.8 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$17.3 million because the cost was paid by those who benefited from the programs (\$2.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$24.8 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$89.0 million in State funds and with \$21.5 million in other revenues, like interest and general entitlements

### Business Type Activities

As reported in the Statement of Activities, the cost of the District business type activities for FY 2013-2014 was \$491,765 as compared to \$498,778 in the prior year, which is a decrease of \$7,103.

### **THE DISTRICT'S FUNDS**

As the District completed FY 2013-2014, other governmental funds reported a combined fund balance of \$36.8 million as compared to \$36.5 million in the prior year, which is an increase of \$1.3 million.

<b>TABLE 3</b>					
<b>Comparative Schedule of Fund Balances</b>					
	<b>Fund Balance</b>				
	<b>June 30, 2014</b>		<b>June 30, 2013</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund	\$20,932,592		\$22,008,311	(\$1,075,719)	-4.89%
Building Fund	\$358,708		\$1,327,969	(\$969,261)	-72.99%
Capital Facilities Fund	\$8,560,026		\$6,634,315	\$1,925,711	29.03%
All Non-Major Funds	6,947,828		6,554,221	\$393,607	6.01%
Totals	\$36,799,154		\$36,524,816	\$274,338	0.75%

As can be seen in the scheduled fund balances (Table 3), the District has a number of different funds within which District programs operate. The General Fund has historically had a fund balance in excess of the state required reserve of 3%. The \$1.0 million decrease was due to the implementation of the technology plan and deferred maintenance.

The Building Fund decreased of \$969,261 was due to the construction work being completed which is in alignment with our Bond Measure Program.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in September 2014. (A schedule showing the District's original and final budget amounts, compared with accounts actually paid and received, is provided in our annual report on page 53).

## ***CAPITAL ASSET & DEBT ADMINISTRATION***

### ***Capital Assets***

At June 30, 2013, the District had \$213.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2014, net fixed assets totaled \$221.7 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately \$7.8 million from last year.

<b>TABLE 4</b>					
<b>Governmental Activities,</b>					
<b>Capital Assets</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>	
Land	\$17,768,991	\$17,768,991	-	0.00%	
Work-in-process	18,656,574	8,569,571	\$10,087,003	117.71%	
Land improvements	38,629,660	38,464,580	165,080	0.43%	
Buildings	205,096,039	203,143,407	1,952,632	0.96%	
Equipment	15,504,359	12,811,888	2,692,471	21.02%	
Capital Assets, cost	295,655,623	280,758,437	14,897,186	140.11%	
Accumulated Depreciation	(73,956,199)	66,891,078)	(7,065,121)	10.56%	
Capital Assets, net	\$221,699,424	\$213,867,359	\$7,832,065	3.66%	

### Long-Term Obligations

At June 30, 2014, the District had \$148.7 million in long-term obligations outstanding versus \$138.9 million last year, an increase of approximately \$9.8 million.

<b>TABLE 5</b>				
<b>Summary of Long-Term Liabilities</b>				
	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
General Obligation Bonds	\$95,351,511	\$95,411,228	(\$59,717)	-0.19%
Accreted Interest	\$4,421,439	\$4,095,782	\$325,657	7.95%
Certificates of Participation	\$26,460,000	\$27,795,000	(\$1,335,000)	-4.80%
Capitalized Lease Obligations	\$3,007,923	\$-	\$3,007,923	100.00%
Net OPEB Obligations	\$11,442,284	\$9,995,332	\$1,446,952	14.48%
Early retirement Incentive	\$539,082	\$858,944	(\$319,862)	-37.24%
Compensated Absences	\$672,729	\$830,293	(\$157,564)	-18.98%
Total Long-Term Liabilities	\$148,719,968	\$138,986,579	\$9,733,389	7.00%

The increase in General Obligation bonds due to the refunding of the 2005 General Obligation Refunding Bond. The District's general obligation bond rating continues to be "excellent." The State limits the amount of general obligation debt that the districts can issue.

Other obligations include COPs, capital leases, and compensated absences payable. The increase in the Capitalized Leases is due to the Qualified Zone Academy Bond (QZAB), the construction of the temporary elementary school – Hanh Phan Tilley, the financing of the tablets and a portion of the wireless infrastructure. We present more detailed information regarding our long-term liabilities in Note 6 of the financial statements.

## ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

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

### **2014-15 ADOPTED BUDGET ASSUMPTIONS**

The 2014-15 Adopted Budget has been compiled using the latest information from School Services of California (SSC) and Fiscal Crisis & Management Assistance Team (FCMAT) Local Control Funding Formula (LCFF) calculator. School district budgets are not static documents and must be revised as often as necessary in order to respond to the changing politics at the State and Federal level, as well as to the changing goals and needs of the District. In order to project the budget, a series of assumptions are determined and inserted into State and District formulas. The budget assumptions are updated with a revision 45 days after the adoption of the state budget and with two interim reports. The 2014-15 Adopted Budget is based on the following assumptions, as appropriate with conservative estimates for both revenues and expenditures:

#### **GENERAL FUND REVENUES**

##### **LCFF Revenue**

- LCFF Revenue COLA of .86%
- Projected regular ADA of 15,071.79, which is 95.5% of our demographic study of enrollment
- LCFF calculation was determined using the FCMAT LCFF calculator
- Other LCFF sources have been calculated to reflect amounts to be received based on prior year second period (P2) reporting

##### **Federal Revenues**

- Projections based on prior year entitlements
- Carryover and deferred revenues are not budgeted

##### **Lottery Revenues**

- Projected on estimated funding of \$126.00 per ADA for unrestricted and \$30.00 for restricted lottery funding (Prop. 20). This is based on the California Department of Education projections.

##### **Mandated Costs**

- Mandated Block Grant revenue is funded using 2013-14 P2 Average Daily Attendance (ADA) at the rate of \$28/ADA for K-8 and \$56/ADA for 9-12

#### State Revenues

- Projections based on prior year entitlements and grant award letters
- Carryover and deferred revenues are not budgeted
- Adjustments made for categorical programs that are now part of LCFF

#### GENERAL FUND EXPENDITURES

##### Certificated and Classified Salaries

- Salaries based on projected staffing costs, step and column increase and coverage needs

##### Employee Benefits

- Benefit rates reflect current available rates at the time the budget was prepared. The rates used for benefits are as follows:
  - STRS .0950
  - PERS .11771
  - Social Security .062
  - Medicare .0145
  - Alt Retire .0375
  - Health/Welfare \$11,689/employee/year
  - SUI .0005
  - Workers Comp .02190

##### Books, Supplies and Other Materials

- Restricted resources adjusted to reflect past year per ADA allocation

##### Services/Other Operating Expenses

- Restricted resources adjusted to balance grant estimated totals due to the removal of carryover and deferred amounts
- Funds added for VOIP phone system

##### Capital Outlay

- Funds added from the implementation of the Technology plan - Student Tablets

##### Other Outgo

- Funds added for the Technology upgrade financing
- Certificate of Participation (COP) costs are reflected in the other outgo
- Indirect cost adjusted to reflect projected revenue

##### Transfers In

- None



#### Transfers Out

- None

#### RESERVE FOR ECONOMIC UNCERTAINTIES

The District's Reserve for Economic Uncertainties meets the State minimum requirement of 3%. Additional 2% set aside for Reserve in Other Designation to maintain a 5% reserve, per Board Policy.

#### RETIREMENT PACKAGE

Nothing has changed to the District's Retirement Policy.

#### MULTI-YEAR PROJECTIONS

Revenues for the multi-year projections follow the 2014-15 SSC's recommendations and the FCMAT LCFF calculator. Changes in the LCFF revenue represent projected changes in ADA, projected COLAs and the projected gap funding rate.

Expenditures have been adjusted to reflect any necessary reductions or increases to maintain the districts goals and the required reserve. Multi-year projections are aligned with current law and will be updated as additional information becomes available.

Please do not hesitate to contact Kelly Porterfield, Assistant Superintendent, CBO at (559) 274-4700, x105, or Yolanda Balladares, Director Fiscal Services at (559) 274-4700, x111 should you have questions.

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 35,989,875	\$ 401,040	\$ 36,390,915
Receivables	21,610,231	2,471	21,612,702
Due from (to) other funds (Note 3)	12,383	(12,383)	-
Stores inventory	38,796	-	38,796
Non-depreciable capital assets (Note 4)	36,425,565	-	36,425,565
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>185,273,859</u>	<u>-</u>	<u>185,273,859</u>
Total assets	<u>279,350,709</u>	<u>391,128</u>	<u>279,741,837</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding of debt (Note 6)	<u>1,093,500</u>	<u>-</u>	<u>1,093,500</u>
<b>LIABILITIES</b>			
Tax Revenue Anticipation Note (TRAN) payable (Note 2)	9,985,000	-	9,985,000
Accounts payable and other current liabilities	10,292,962	12,201	10,305,163
Unearned revenue	126,811	-	126,811
Self-Insurance claims liability (Note 5)	2,020,235	-	2,020,235
Long-term liabilities (Note 6):			
Due within one year	6,183,816	-	6,183,816
Due after one year	<u>142,536,152</u>	<u>-</u>	<u>142,536,152</u>
Total liabilities	<u>171,144,976</u>	<u>12,201</u>	<u>171,157,177</u>
<b>NET POSITION</b>			
Net investment in capital assets	93,010,142	-	93,010,142
Restricted (Note 7)	12,991,770	378,927	13,370,697
Unrestricted	<u>3,297,321</u>	<u>-</u>	<u>3,297,321</u>
Total net position	<u>\$ 109,299,233</u>	<u>\$ 378,927</u>	<u>\$ 109,678,160</u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
Instruction	\$ 72,971,277	\$ 690,266	\$ 13,440,497	\$ -	\$ (58,840,514)	\$ -	\$ (58,840,514)
Instruction-related services:							
Supervision of instruction	3,726,539	28,424	1,956,160	-	(1,741,955)	-	(1,741,955)
Instructional library, media and technology	1,173,308	-	15,811	-	(1,157,497)	-	(1,157,497)
School site administration	7,512,326	24,358	389,092	-	(7,098,876)	-	(7,098,876)
Pupil services:							
Home-to-school transportation	4,924,373	192	219	-	(4,923,962)	-	(4,923,962)
Food services	7,001,300	1,133,861	6,408,072	-	540,633	-	540,633
All other pupil services	8,036,548	2,120	1,195,061	-	(6,839,367)	-	(6,839,367)
General administration:							
Centralized data processing	979,411	-	-	-	(979,411)	-	(979,411)
All other general administration	6,788,723	91,486	1,141,685	-	(5,555,552)	-	(5,555,552)
Plant services	15,125,123	464	30,431	-	(15,094,228)	-	(15,094,228)
Ancillary services	1,154,038	1,614	1,840	-	(1,150,584)	-	(1,150,584)
Community services	270,636	37,055	42,232	-	(191,349)	-	(191,349)
Interest on long-term liabilities	6,515,442	-	-	-	(6,515,442)	-	(6,515,442)
Other outgo	1,644,807	39,405	233,673	-	(1,371,729)	-	(1,371,729)
Business-type activities:							
Enterprise activities	486,003	632,244	-	-	-	146,241	146,241
Other outgo	-	3,581	-	-	-	3,581	3,581
Total governmental and business-type activities	<u>\$ 138,309,854</u>	<u>\$ 2,685,070</u>	<u>\$ 24,854,773</u>	<u>\$ -</u>	<u>(110,919,833)</u>	<u>149,822</u>	<u>(110,770,011)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					11,055,980	-	11,055,980
Taxes levied for debt service					6,321,897	-	6,321,897
Taxes levied for other specific purposes					15,161	-	15,161
Federal and state aid not restricted to specific purposes					89,082,667	-	89,082,667
Interest and investment earnings					887,813	11,632	899,445
Special and extraordinary items					4,793	-	4,793
Internal transfers					5,761	(5,761)	-
Miscellaneous					3,881,244	-	3,881,244
Total general revenues					<u>111,255,316</u>	<u>5,871</u>	<u>111,261,187</u>
Change in net position					335,483	155,693	491,176
Net position, July 1, 2013					<u>108,963,750</u>	<u>223,234</u>	<u>109,186,984</u>
Net position, June 30, 2014					<u>\$ 109,299,233</u>	<u>\$ 378,927</u>	<u>\$ 109,678,160</u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**June 30, 2014**

	<b><u>General Fund</u></b>	<b><u>Building Fund</u></b>	<b><u>Capital Facilities Fund</u></b>	<b><u>All Non-Major Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>ASSETS</b>					
Cash and investments (Note 2):					
Cash in County Treasury	\$ 6,719,834	\$ -	\$ 4,062,904	\$ 6,005,139	\$ 16,787,877
Cash in revolving fund	25,000	-	-	-	25,000
Cash on hand and in banks	43,995	-	9,837	35,515	89,347
Cash with Fiscal Agent	10,104,943	1,691,203	4,591,888	-	16,388,034
Receivables	20,095,631	2,117	11,154	1,496,059	21,604,961
Due from other funds	1,606,400	-	504	43,182	1,650,086
Stores inventory	-	-	-	38,796	38,796
	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,796</u>	<u>38,796</u>
Total assets	<u>\$ 38,595,803</u>	<u>\$ 1,693,320</u>	<u>\$ 8,676,287</u>	<u>\$ 7,618,691</u>	<u>\$ 56,584,101</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 7,530,171	\$ 215,875	\$ 113,496	\$ 181,429	\$ 8,040,971
TRAN payable	9,985,000	-	-	-	9,985,000
Unearned revenue	126,811	-	-	-	126,811
Due to other funds	21,229	1,118,737	2,765	489,434	1,632,165
	<u>17,663,211</u>	<u>1,334,612</u>	<u>116,261</u>	<u>670,863</u>	<u>19,784,947</u>
Total liabilities	<u>17,663,211</u>	<u>1,334,612</u>	<u>116,261</u>	<u>670,863</u>	<u>19,784,947</u>
Fund balances:					
Nonspendable	25,000	-	-	38,796	63,796
Restricted	2,741,257	358,708	8,560,026	6,909,032	18,569,023
Assigned	11,658,444	-	-	-	11,658,444
Unassigned	6,507,891	-	-	-	6,507,891
	<u>20,932,592</u>	<u>358,708</u>	<u>8,560,026</u>	<u>6,947,828</u>	<u>36,799,154</u>
Total fund balances	<u>20,932,592</u>	<u>358,708</u>	<u>8,560,026</u>	<u>6,947,828</u>	<u>36,799,154</u>
Total liabilities and fund balances	<u>\$ 38,595,803</u>	<u>\$ 1,693,320</u>	<u>\$ 8,676,287</u>	<u>\$ 7,618,691</u>	<u>\$ 56,584,101</u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**

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

**June 30, 2014**

Total fund balances - Governmental Funds \$ 36,799,154

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$295,655,623 and the accumulated depreciation is \$73,956,199 (Note 4).

221,699,424

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2014 consisted of (Note 6):

General Obligation Bonds	\$ (89,628,155)
Bond Premiums	(5,723,356)
Accreted interest	(4,421,439)
Capitalized lease obligations	(3,007,923)
QZABs	(6,825,000)
Certificates of Participation	(26,460,000)
Other postemployment benefits (Note 9)	(11,442,284)
Early retirement incentive plan (Note 8)	(539,082)
Compensated absences	<u>(672,729)</u>

(148,719,968)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt (Note 6)

1,093,500

Internal Service funds are included in the government-wide financial statements

667,042

Unmatured interest on long-term liabilities is recognized in the period incurred.

(2,239,919)

Total net position - governmental activities

\$ 109,299,233

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2014**

	<u><b>General Fund</b></u>	<u><b>Building Fund</b></u>	<u><b>Capital Facilities Fund</b></u>	<u><b>All Non-Major Funds</b></u>	<u><b>Total Governmental Funds</b></u>
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 86,130,172	\$ -	\$ -	\$ -	\$ 86,130,172
Local sources	<u>11,055,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,055,981</u>
Total LCFF	<u>97,186,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,186,153</u>
Federal sources	7,071,395	-	-	6,597,583	13,668,978
Other state sources	7,494,044	-	-	1,121,678	8,615,722
Other local sources	<u>7,506,165</u>	<u>(126,696)</u>	<u>2,811,530</u>	<u>7,818,395</u>	<u>18,009,394</u>
Total revenues	<u>119,257,757</u>	<u>(126,696)</u>	<u>2,811,530</u>	<u>15,537,656</u>	<u>137,480,247</u>
Expenditures:					
Certificated salaries	53,954,162	-	-	332,869	54,287,031
Classified salaries	16,997,037	-	111,170	2,262,314	19,370,521
Employee benefits	23,606,817	-	40,069	924,921	24,571,807
Books and supplies	7,114,725	-	51,711	4,074,827	11,241,263
Contract services and operating expenditures	12,031,152	370,282	87,771	384,786	12,873,991
Capital outlay	11,681,786	803,568	2,290,117	127,389	14,902,860
Other outgo	917,191	-	-	-	917,191
Debt service:					
Principal retirement	1,723,698	-	-	2,410,000	4,133,698
Interest	<u>1,181,727</u>	<u>-</u>	<u>38,053</u>	<u>4,246,434</u>	<u>5,466,214</u>
Total expenditures	<u>129,208,295</u>	<u>1,173,850</u>	<u>2,618,891</u>	<u>14,763,540</u>	<u>147,764,576</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,950,538)</u>	<u>(1,300,546)</u>	<u>192,639</u>	<u>774,116</u>	<u>(10,284,329)</u>
Other financing sources (uses):					
Operating transfers in	1,504,582	1,118,312	-	-	2,622,894
Operating transfers out	(1,118,312)	(1,118,312)	-	(380,509)	(2,617,133)
Proceeds from capital leases	1,663,549	-	1,733,072	-	3,396,621
Proceeds from Qualified Zone Academy Bonds (QZABs)	6,825,000	-	-	-	6,825,000
Proceeds from issuance of refunding debt	-	26,064,785	-	-	26,064,785
Payment to refunded escrow agent	<u>-</u>	<u>(25,733,500)</u>	<u>-</u>	<u>-</u>	<u>(25,733,500)</u>
Total other financing sources (uses)	<u>8,874,819</u>	<u>331,285</u>	<u>1,733,072</u>	<u>(380,509)</u>	<u>10,558,667</u>
Net change in fund balances	(1,075,719)	(969,261)	1,925,711	393,607	274,338
Fund balances, July 1, 2013	<u>22,008,311</u>	<u>1,327,969</u>	<u>6,634,315</u>	<u>6,554,221</u>	<u>36,524,816</u>
Fund balances, June 30, 2014	<u>\$ 20,932,592</u>	<u>\$ 358,708</u>	<u>\$ 8,560,026</u>	<u>\$ 6,947,828</u>	<u>\$ 36,799,154</u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

Net change in fund balances - Total Governmental Funds	\$	274,338
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Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$	14,932,499
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Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(7,097,155)
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In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the government-wide statements, only the resulting gain or loss is reported (Note 4).		(3,279)
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Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt (Note 6).		1,093,500
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Proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were: (Note 6).		(32,886,621)
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Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).		27,754,051
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In government funds, employee retirement incentive program ("ERIP") are recognized when employer contributions are made. In the statement of activities, ERIP costs are recognized on the accrual basis (Notes 6 and 8).		319,862
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Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of met position (Note 6).		(325,657)
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Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.		201,927
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In governmental funds, premiums received on the issuance of debt are recognized as revenue. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt. Current year premiums were \$3,399,875, and current year amortization was \$94,149 (Note 6).		(3,305,636)
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(Continued)



**CENTRAL UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES**

(Continued)

**For the Year Ended June 30, 2014**

Activities of the internal service funds are reported with governmental activities.	667,042	
In governmental funds, OPEB costs are recognized when employer contributions are made. In statement of activities OPEB costs are recognized on the accrual basis (Notes 6 and 9).	\$ (1,446,952)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>157,564</u>	<u>\$ 61,145</u>
Change in net position of governmental activities		<u><u>\$ 335,483</u></u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2014**

	<b><u>Business- Type Activities</u></b>	<b><u>Govern- mental Activities</u></b>
	<b><u>Enterprise Fund Campus Connection</u></b>	<b><u>Internal Service Fund Self- Insurance</u></b>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 396,046	\$ 1,611,347
Cash on hand and in banks	4,994	1,088,270
Receivables	2,471	5,270
Due from other funds	<u>6,701</u>	<u>-</u>
Current assets	<u>410,212</u>	<u>2,704,887</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	12,201	12,072
Due to other funds	19,084	5,538
Claims liability	<u>-</u>	<u>2,020,235</u>
Current liabilities	<u>31,285</u>	<u>2,037,845</u>
<b>NET POSITION</b>		
Restricted	<u><u>\$ 378,927</u></u>	<u><u>\$ 667,042</u></u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

	<b><u>Business- Type Activities</u></b>	<b><u>Govern- mental Activities</u></b>
	<b><u>Enterprise Fund Campus Connection</u></b>	<b><u>Internal Service Fund Self- Insurance</u></b>
Operating revenues:		
Self-insurance premiums	\$ -	\$ 16,250,171
Other local revenues	<u>643,534</u>	<u>2,037,790</u>
Total operating revenues	<u>643,534</u>	<u>18,287,961</u>
Operating expenses:		
Classified salaries	297,462	-
Employee benefits	136,627	95,710
Books and supplies	11,395	-
Contract services and operating expenses	<u>40,519</u>	<u>17,537,039</u>
Total operating expenses	<u>486,003</u>	<u>17,632,749</u>
Operating income	<u>157,531</u>	<u>655,212</u>
Non-operating revenue (expenses):		
Interest income	3,923	11,830
Transfer out	<u>(5,761)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>(1,838)</u>	<u>11,830</u>
Change in net position	155,693	667,042
Total net position, July 1, 2013	<u>223,234</u>	<u>-</u>
Total net position, June 30, 2014	<u><u>\$ 378,927</u></u>	<u><u>\$ 667,042</u></u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

	<b><u>Business- Type Activities</u></b>	<b><u>Govern- mental Activities</u></b>
	<b><u>Enterprise Fund</u></b>	<b><u>Internal Service Fund</u></b>
	<b><u>Campus Connection</u></b>	<b><u>Self- Insurance</u></b>
Cash flows from operating activities:		
Cash received from user charges	\$ 648,233	\$ -
Cash received from self-insurance premiums	-	19,518,773
Cash paid for services	(434,089)	(17,320,199)
Cash paid for other expenses	<u>(96,360)</u>	<u>-</u>
Net cash provided by operating activities	<u>117,784</u>	<u>2,198,574</u>
Cash flows used in noncapital financing activities:		
Transfer out	<u>(5,761)</u>	<u>-</u>
Cash flows provided by investing activities:		
Interest income received	<u>3,923</u>	<u>11,830</u>
Increase in cash and investments	115,946	2,210,404
Cash and investments, July 1, 2013	<u>285,094</u>	<u>489,213</u>
Cash and investments, June 30, 2014	<u><u>\$ 401,040</u></u>	<u><u>\$ 2,699,617</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 157,531</u>	<u>\$ 655,212</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in:		
Receivables	(1,744)	1,230,812
Due from other funds	6,443	-
Increase (decrease) in:		
Accounts payable	750	489,140
Due to other funds	(45,196)	4,421
Claims liability	<u>-</u>	<u>(181,011)</u>
Total adjustments	<u>(39,747)</u>	<u>1,543,362</u>
Net cash provided by operating activities	<u><u>\$ 117,784</u></u>	<u><u>\$ 2,198,574</u></u>

See accompanying notes to financial statements.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

**June 30, 2014**

**ASSETS**

Cash on hand and in banks (Note 2)	<u>\$ 620,200</u>
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**LIABILITIES**

Due to student groups	<u>\$ 620,200</u>
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See accompanying notes to financial statements.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

##### Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the Central Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

##### Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

##### Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Government-Wide Financial Statements (Continued)

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

#### Basis of Presentation - Fund Accounting

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

#### A - Major Funds

##### 1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

##### 2 - Building Fund

The Building Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

##### 3 - Capital Facilities Fund

The Capital Facilities Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

#### B - Other Funds

##### 1 - 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 specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, and Deferred Maintenance.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Fund Accounting (Continued)

##### B - Other Funds (Continued)

##### 2 - County School Facilities Fund:

The County School Facilities Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

##### 3 - Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

##### 4 - Campus Connection Fund:

The Campus Connection Fund is a Business-Type Activity, used to account for the financial transactions of the District's after-school services.

##### 5 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's employee medical and surgical benefits.

##### 6 - Student Body Fund:

The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

#### Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

#### Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

#### Receivables

Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

#### Stores Inventory

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

#### Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

##### Interfund Activity

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

##### Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$672,729 is for the earned but unused benefits.

##### Accumulated Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

##### Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

##### Net Investment in Capital Assets

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent cash related to debt issuances and deferred outflows/inflows resulting from refunding debt instruments.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions for special revenues and capital projects represent the portions of net position restricted for special revenues and capital projects, respectively. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. The restriction for self-insurance represents the amount restricted to pay self-insured claims. The restriction for campus connection operations represents the portion of net position restricted for after school activities. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

#### Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

#### A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

#### B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

#### C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

# **CENTRAL UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

(Continued)

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Fund Balance Classifications (Continued)

##### **D - Assigned Fund Balance:**

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2014, no such designation has occurred.

##### **E - Unassigned Fund Balance:**

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

#### Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

#### Property Taxes

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Fresno bills and collects taxes for the District. Tax revenues are recognized by the District when received.

# **CENTRAL UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

(Continued)

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Encumbrances

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

#### Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact in the District.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### New Accounting Pronouncements (Continued)

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. 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. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 16,787,877	\$ 1,611,347	\$ 18,399,224	\$ 396,046	\$ -
Deposits:					
Cash in revolving fund	25,000	-	25,000	-	-
Cash on hand and in banks	89,347	1,088,270	1,177,617	4,994	620,200
Total deposits	114,347	1,088,270	1,202,617	4,994	620,200
Cash with Fiscal Agent	16,388,034	-	16,388,034	-	-
Total cash and investments	\$ 33,290,258	\$ 2,699,617	\$ 35,989,875	\$ 401,040	\$ 620,200

#### Pooled Funds

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

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was \$1,827,811, and the bank balances was \$1,519,914, of which \$607,881 was FDIC insured.



## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 2. CASH AND INVESTMENTS (Continued)

##### Cash with Fiscal Agent

Cash with Fiscal Agent in the General, Building, and Capital Facilities Funds totaling \$16,388,034 are the proceeds from Tax Revenue Anticipation Notes, General Obligation Bonds, and Certificates of Participation, respectively, held by trustees. The amounts held by trustees are fully collateralized.

##### Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

##### Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

##### Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

##### Tax Revenue Anticipation Notes (TRAN)

TRAN are short-term debt instruments issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANs activity for the year ended June 30, 2014 is as follows:

	Outstanding July 1, 2013	Additions	Deletions	Outstanding June 30, 2014
Series 2013-14 - 2.0% Tax Revenue Anticipation Note	<u>\$ 9,925,000</u>	<u>\$ 9,985,000</u>	<u>\$ (9,925,000)</u>	<u>\$ 9,985,000</u>

The TRAN was fully repaid in July 2014.

#### 3. INTERFUND TRANSACTIONS

##### Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 3. INTERFUND TRANSACTIONS (Continued)

#### Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 1,606,400	\$ 21,229
Building	-	1,118,737
Capital Facilities	504	2,765
Non-Major Funds:		
Adult Education	12,268	25,025
Child Development	208	100,835
Cafeteria	30,706	363,574
Proprietary Funds:		
Self-Insurance	-	5,538
<u>Business-Type Activities</u>		
Campus Connection	<u>6,701</u>	<u>19,084</u>
Totals	<u><u>\$ 1,656,787</u></u>	<u><u>\$ 1,656,787</u></u>

#### Interfund Transfers

Interfund transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2013-14 fiscal year were as follows:

Transfer from the General Fund to the Building Fund to repay Certificates of Participation principal and interest payments incorrectly charged to bond funds.	\$ 1,118,312
Transfer from the Building Fund to the General Fund for capital outlay expenditures.	1,118,312
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	354,876
Transfer from the Child Development Fund to the General Fund for indirect costs.	20,987
Transfer from the Adult Education Fund to the General Fund for indirect costs.	4,646
Transfer from the Campus Connection Fund to the General Fund for repayment of temporary loans for operations.	<u>5,761</u>
	<u><u>\$ 2,622,894</u></u>

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Transfers and Additions	Transfers and Deletions	Balance June 30, 2014
Non-depreciable:				
Land	\$ 17,768,991	\$ -	\$ -	\$ 17,768,991
Work-in-process	8,569,571	11,081,228	(994,225)	18,656,574
Depreciable:				
Land improvements	38,464,580	97,098	67,982	38,629,660
Buildings and improvements	203,143,407	1,338,080	614,552	205,096,039
Equipment	<u>12,811,888</u>	<u>2,416,093</u>	<u>276,378</u>	<u>15,504,359</u>
Totals, at cost	<u>280,758,437</u>	<u>14,932,499</u>	<u>(35,313)</u>	<u>295,655,623</u>
Less accumulated depreciation:				
Land improvements	(3,732,097)	(1,224,814)	-	(4,956,911)
Buildings and improvements	(55,529,725)	(4,791,226)	-	(60,320,951)
Equipment	<u>(7,629,256)</u>	<u>(1,081,115)</u>	<u>32,034</u>	<u>(8,678,337)</u>
Total accumulated depreciation	<u>(66,891,078)</u>	<u>(7,097,155)</u>	<u>32,034</u>	<u>(73,956,199)</u>
Capital assets, net	<u>\$ 213,867,359</u>	<u>\$ 7,835,344</u>	<u>\$ (3,279)</u>	<u>\$ 221,699,424</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2014 as follows:

Governmental activities:	
Instruction	\$ 6,096,821
Home to school transportation	519,937
Food services	71,402
Ancillary services	249
General administration	67,998
Centralized data processing	11,927
Plant services	<u>328,821</u>
Total depreciation expense	<u>\$ 7,097,155</u>

At June 30, 2014, the District had capital assets acquired from capital leases with an original cost of \$3,396,621. The accumulated depreciation was zero on these assets.

### 5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for employee medical, dental, vision and medical prescription benefits. The District records an estimated liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses, based on claims lag data from the District's claim system.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 5. SELF-INSURANCE (Continued)

Changes in the claims liability for the year ended June 30, 2014 were as follows:

Claims liability at July 1, 2012	\$ 1,495,425
Inurred claims and changes in estimates	14,036,089
Paid claims	<u>(14,000,419)</u>
Claims liability at July 1, 2013	1,531,095
Inurred claims and changes in estimates	16,465,972
Paid claims	<u>(15,976,832)</u>
Claims liability at June 30, 2014	<u>\$ 2,020,235</u>

#### 6. LONG-TERM LIABILITIES

##### General Obligation Bonds

In September 1998, the District issued General Obligation Revenue Bonds in the aggregate amount of \$21,294,069 (\$13,945,000 in Current Interest Bonds and \$7,349,069 in Capital Appreciation Bonds).

In April 2005, the District issued General Obligation Refunding Bonds in the amount of \$24,640,000.

In November 2006, the District issued Election of 2004, Series B General Obligation Bonds in the amount of \$14,999,990 to finance the construction, furnishing and equipping of new schools, an athletic stadium and district transportation facility.

In February 2009, the District issued Election of 2008, Series A General Obligation Bonds in the amount of \$35,999,923 (\$33,255,000 in Current Interest Bonds and \$2,744,923 in Capital Appreciation Bonds) to finance the renovation and update of existing school facilities and to finance construction, furnishing and equipping of two new elementary, one new middle school, and one new high school.

In December 2012, the District issued Election of 2008, Series B General Obligation Bonds in the amount of \$12,999,862.

In March 2013, the District issued 2013 General Obligation Bond Anticipation Notes in the amount of \$2,119,040.

In May 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$22,665,000 to refund on a current basis, all of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the cost of issuance of the 2014 Refunding Bonds.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

<u>Bond</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Balance Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
1998 Series A	5.60 - 6.25%	1998	2018	\$ 13,945,000	\$ 4,660,000	\$ -	\$ 875,000	\$ 3,785,000
2005 Refunding	4.00 - 5.00%	2005	2030	24,640,000	24,640,000	-	24,640,000	-
2004 Series B	4.5 - 4.125%	2006	2032	14,999,990	13,465,000	-	275,000	13,190,000
2008 Series A	5.00 - 5.25%	2009	2034	35,999,923	35,109,606	-	240,353	34,869,253
2008 Series B	5.00 - 5.25%	2013	2042	12,999,862	12,999,862	-	-	12,999,862
2013 GO Anticipation Bond	5.00 - 5.25%	2013	2016	2,119,040	2,119,040	-	-	2,119,040
2014 Refunding	2.00 - 5.00%	2014	2030	<u>22,665,000</u>	<u>-</u>	<u>22,665,000</u>	<u>-</u>	<u>22,665,000</u>
				<u>\$27,368,815</u>	<u>\$92,993,508</u>	<u>\$22,665,000</u>	<u>\$26,030,353</u>	<u>\$89,628,155</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 905,000	\$ 229,620	\$ 1,134,620
2016	930,000	170,925	1,100,925
2017	960,000	110,456	1,070,456
2018	<u>990,000</u>	<u>48,053</u>	<u>1,038,053</u>
	<u>\$ 3,785,000</u>	<u>\$ 559,054</u>	<u>\$ 4,344,054</u>

The annual payments required to amortize the 2004, Series B, General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 225,000	\$ 599,488	\$ 824,488
2016	300,000	588,988	888,988
2017	335,000	576,288	911,288
2018	350,000	562,588	912,588
2019	365,000	548,288	913,288
2020-2024	2,055,000	2,503,571	4,558,571
2025-2029	2,560,000	2,030,013	4,590,013
2030-2032	<u>7,000,000</u>	<u>661,250</u>	<u>7,661,250</u>
	<u>\$ 13,190,000</u>	<u>\$ 8,070,474</u>	<u>\$ 21,260,474</u>

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 6. LONG-TERM LIABILITIES (Continued)

#### General Obligation Bonds (Continued)

The annual payments required to amortize the 2008, Series A, General Obligation Bonds, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 275,900	\$ 1,811,563	\$ 2,087,463
2016	303,752	327,550	631,302
2017	327,550	1,811,563	2,139,113
2018	345,180	1,811,563	2,156,743
2019	361,871	1,811,563	2,173,434
2020-2024	6,360,000	8,348,269	14,708,269
2025-2029	11,775,000	5,993,775	17,768,775
2030-2034	<u>15,120,000</u>	<u>1,815,988</u>	<u>16,935,988</u>
	<u>\$ 34,869,253</u>	<u>\$ 23,731,834</u>	<u>\$ 58,601,087</u>

The annual payments required to amortize the 2008, Series B, General Obligation Bonds, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2030-2034	\$ 1,185,722	\$ 3,429,000	\$ 4,614,722
2035-2039	6,286,564	20,411,174	26,697,738
2040-2043	<u>5,527,576</u>	<u>20,206,993</u>	<u>25,734,569</u>
	<u>\$ 12,999,862</u>	<u>\$ 44,047,167</u>	<u>\$ 57,047,029</u>

The annual payments required to amortize the 2013 General Obligation Bond Anticipation Notes, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 2,119,040</u>	<u>\$ 80,960</u>	<u>\$ 2,200,000</u>

In May 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$22,665,000 to refund on a current basis, all of the District's outstanding 2005 General Obligation Refunding Bonds. On June 30, 2014, \$24,640,000 of bonds outstanding are considered defeased.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid is \$3,150,076.

Although the advance refundings resulted in the recognition of an accounting loss of \$1,093,500 for the year ended June 30, 2014, the District in effect reduced its aggregate debt service payments by \$3.9 million over the next 15 years and obtained an economic gain of \$3.1 million.

*Calculation of Difference in Cash Flow Requirements and Economic Gain*

Cash Flow Difference

Old debt service cash flows	\$ 37,987,560
New debt service cash flows	<u>34,076,010</u>
	<u><u>\$ 3,911,550</u></u>

The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ended</u> <u>June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 560,000	\$ 37,966	\$ 597,966
2016	245,000	1,040,169	1,285,169
2017	350,000	1,035,269	1,385,269
2018	480,000	1,024,769	1,504,769
2019	620,000	1,010,369	1,630,369
2020-2024	5,665,000	4,518,244	10,183,244
2025-2029	11,480,000	2,589,344	14,069,344
2030	<u>3,265,000</u>	<u>154,881</u>	<u>3,419,881</u>
	<u><u>\$ 22,665,000</u></u>	<u><u>\$ 11,411,011</u></u>	<u><u>\$ 34,076,011</u></u>



**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Certificates of Participation

In December 1998, the District issued Refunding Certificates of Participation in the amount of \$19,285,000.

In January 2003, the District issued Certificates of Participation in the amount of \$4,700,000 to finance the acquisition of land to be used for a comprehensive K-12 school campus.

In January 2006, the District issued Certificates of Participation in the amount of \$5,575,000.

In 2007, the District issued Certification of Participation in the amount of \$20,350,000 to finance various projects and refund a portion of the 1998 COPs.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 6. LONG-TERM LIABILITIES (Continued)

#### Certificates of Participation (Continued)

<u>Bond</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Balance Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
1998 COPs	3.0 - 4.7%	1998	2016	\$19,385,000	\$ 1,745,000	\$ -	\$ 555,000	\$ 1,190,000
2003 COPs	2.0 - 4.5%	2003	2018	4,700,000	1,955,000	-	360,000	1,595,000
2006 COPs	2.0 - 4.25%	2006	2024	5,575,000	3,985,000	-	295,000	3,690,000
2007 COPs	4.1 - 4.7%	2007	2028	<u>20,350,000</u>	<u>20,110,000</u>	<u>-</u>	<u>125,000</u>	<u>19,985,000</u>
				<u>\$50,010,000</u>	<u>\$27,795,000</u>	<u>\$ -</u>	<u>\$ 1,335,000</u>	<u>\$26,460,000</u>

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 6. LONG-TERM LIABILITIES (Continued)

#### Certificates of Participation (Continued)

The annual payments required to amortize the 1998 Certificates of Participation outstanding as of June 30, 2014, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 580,000	\$ 42,300	\$ 622,300
2016	<u>610,000</u>	<u>14,335</u>	<u>624,335</u>
	<u>\$ 1,190,000</u>	<u>\$ 56,635</u>	<u>\$ 1,246,635</u>

The annual payments required to amortize the 2003 Certificates of Participation outstanding as of June 30, 2014, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 375,000	\$ 68,850	\$ 443,850
2016	390,000	52,913	442,913
2017	405,000	36,338	441,338
2018	<u>425,000</u>	<u>19,125</u>	<u>444,125</u>
	<u>\$ 1,595,000</u>	<u>\$ 177,226</u>	<u>\$ 1,772,226</u>

The annual payments required to amortize the 2006, Refunding Certificates of Participation outstanding as of June 30, 2014, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 310,000	\$ 148,819	\$ 458,819
2016	320,000	137,581	457,581
2017	335,000	125,581	460,581
2018	345,000	112,600	457,600
2019	355,000	98,800	453,800
2020-2024	<u>2,025,000</u>	<u>261,601</u>	<u>2,286,601</u>
	<u>\$ 3,690,000</u>	<u>\$ 884,982</u>	<u>\$ 4,574,982</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Certificates of Participation (Continued)

The annual payments required to amortize the 2007 Certificates of Participation outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 130,000	\$ 937,484	\$ 1,067,484
2016	130,000	932,609	1,062,609
2017	775,000	914,509	1,689,509
2018	1,265,000	873,709	2,138,709
2019	1,305,000	815,784	2,120,784
2020-2024	7,940,000	3,114,548	11,054,548
2025-2028	<u>8,440,000</u>	<u>775,496</u>	<u>9,215,496</u>
	<u><u>\$ 19,985,000</u></u>	<u><u>\$ 8,364,139</u></u>	<u><u>\$ 28,349,139</u></u>

Capital Lease Obligations

In October 2013, The District entered into a capital lease agreement with Key Government Finance for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 274,766
2017	274,766
2018	274,766
2019	<u>274,766</u>
Total payments	1,099,064
Less amount representing interest	<u>(74,978)</u>
Net present value of minimum payments	<u><u>\$ 1,024,086</u></u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES** (Continued)

Capital Lease Agreements (Continued)

In June 2014, The District entered into a capital lease agreement with Key Government Finance for the acquisition of portables. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	
2016	\$ 360,955
2017	360,955
2018	360,955
2019	360,955
2019	<u>360,955</u>
Total payments	1,804,775
Less amount representing interest	<u>(71,703)</u>
Net present value of minimum payments	<u>\$ 1,733,072</u>

In January 2014, The District entered into a capital lease agreement with AT&T Capital Services, Inc. for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	
2016	\$ 100,336
2017	100,336
2018	<u>58,528</u>
Total payments	259,200
Less amount representing interest	<u>(8,435)</u>
Net present value of minimum payments	<u>\$ 250,765</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Qualified Zone Academy Bonds

In June 2014, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Debuque Bank & Trust Company to finance the acquisition, construction and installation of certain solar and related energy improvements to school facilities within buildings or on land owned by the District totaling \$6,825,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Year Ending <u>June 30.</u>	<u>Principal</u>
2015	\$ 401,471
2016	401,470
2017	401,470
2018	401,470
2019	401,470
2020-2024	2,007,354
2025-2029	2,007,354
2030-2031	<u>802,941</u>
Total payments	<u><u>\$ 6,825,000</u></u>

Early Retirement Incentive Program

*Plan Description*

The amount of the incentive is sixty percent of the eligible employee's final base salary. the incentive amount will be contributed by the District into the employee's 403(b) account, in annual amounts of 12% per year, over a period of 5 years. Each annual contribution to an employee's 403(b) account will be fully deposited, at the time and in the manner determined by the District, by September 1 of each year. District contributions to the former employee's 403(b) account shall not be considered creditable compensation for CalPERS and CalSTRS purposes. The amount of any District contribution shall be subject to any applicable limitations under the Internal Revenue Code, and such contributions may be reduced, if necessary, to comply with those limitations.

The annual requirements to amortize the ERIP liability outstanding as of June 30, 2014 are as follows:

Year Ending <u>June 30.</u>	
2015	319,862
2016	<u>219,220</u>
Total payments	<u><u>\$ 539,082</u></u>

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 6. LONG-TERM LIABILITIES (Continued)

#### Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Bonds	\$ 92,993,508	\$ 22,665,000	\$ 26,030,353	\$ 89,628,155	\$ 1,965,900
Bond premiums	2,417,720	3,399,785	94,149	5,723,356	306,635
Accreted interest	4,095,782	1,345,304	1,019,647	4,421,439	1,099,100
Certificates of Participation	27,795,000	-	1,335,000	26,460,000	1,395,000
Capitalized lease obligations	-	3,396,621	388,698	3,007,923	695,848
QZABs	-	6,825,000	-	6,825,000	401,471
Other postemployment benefits (Note 9)	9,995,332	2,720,841	1,273,889	11,442,284	-
Early retirement incentive program	858,944	-	319,862	539,082	319,862
Compensated absences	<u>830,293</u>	<u>54,107</u>	<u>211,671</u>	<u>672,729</u>	<u>-</u>
Totals	<u>\$ 138,986,579</u>	<u>\$ 40,406,658</u>	<u>\$ 30,673,269</u>	<u>\$ 148,719,968</u>	<u>\$ 6,183,816</u>

Payments on the General Obligation Bonds are made from the Building Fund and Bond Interest Redemption Fund. Payments on the Certificates of Participation and capitalized lease obligations are made from the General Fund. Payments on other postemployment benefits, early retirement incentive program and compensated absences are made from the fund for which the related employee worked.

# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 7. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>
Unspent categorical program revenues	\$ 2,741,257
Special revenues	3,611,767
Capital projects	2,690,301
Debt service	3,281,403
Self Insurance	<u>667,042</u>
	<u>\$ 12,991,770</u>
	<u>Business-Type Activities</u>
Campus connection	<u>\$ 378,927</u>

Governmental fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,796</u>	<u>38,796</u>
Subtotal nonspendable	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>38,796</u>	<u>63,796</u>
Restricted:					
Unspent categorical revenues	2,741,257	-	-	-	2,741,257
Adult education	-	-	-	308,631	308,631
Child development	-	-	-	26,803	26,803
Food service operations	-	-	-	3,233,188	3,233,188
Deferred maintenance	-	-	-	4,349	4,349
Capital projects	-	358,708	8,560,026	54,658	8,973,392
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,281,403</u>	<u>3,281,403</u>
Subtotal restricted	<u>2,741,257</u>	<u>358,708</u>	<u>8,560,026</u>	<u>6,909,032</u>	<u>18,569,023</u>
Assigned:					
Technology	5,000,000	-	-	-	5,000,000
Start up for New School	1,100,000	-	-	-	1,100,000
Common Core	1,000,000	-	-	-	1,000,000
Capital projects	<u>4,558,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,558,444</u>
Subtotal assigned	<u>11,658,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,658,444</u>
Unassigned:					
Designated for economic uncertainty	<u>6,507,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,507,891</u>
Total fund balances	<u>\$ 20,932,592</u>	<u>\$ 358,708</u>	<u>\$ 8,560,026</u>	<u>\$ 6,947,828</u>	<u>\$ 36,799,154</u>



## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the State Teachers' Retirement System (STRS). District employees may also elect to participate in Public Agency Retirement Services (PARS).

##### Plan Description and Provisions

##### California Public Employees' Retirement System (CalPERS)

###### *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, as legislatively amended, within the Public Employees' Retirement Law. 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 Q Street, Sacramento, California 95811.

###### *Funding Policy*

Active plan members are required to contribute 7% 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% 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, 2012, 2013 and 2014 were \$1,724,832, \$1,853,762 and \$1,884,570, respectively, and equal 100% of the required contributions for each year.

##### State Teachers' Retirement System (STRS)

###### *Plan Description*

The District contributes to the 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, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within 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 the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% 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, 2012, 2013 and 2014 were \$4,214,539, \$4,307,515 and \$4,426,032, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

**9. OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 8, the District administers a single-employer defined benefit healthcare plan and provides post employment medical, drug, dental and vision insurance coverage, as prescribed in various employee labor agreements and plan documents, to retirees meeting eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when requirements are met. There is no separate report issued for the defined benefit healthcare plan.

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 Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 2,886,369
Interest on net OPEB obligation	374,825
Adjustment to annual required contribution	<u>(540,353)</u>
Annual OPEB cost (expense)	2,720,841
Contributions made	<u>(1,273,889)</u>
Increase in net OPEB obligation	1,446,952
Net OPEB obligation - beginning of year	<u>9,995,332</u>
Net OPEB obligation - end of year	<u><u>\$ 11,442,284</u></u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 2,770,804	37.3%	\$ 8,714,350
June 30, 2013	\$ 2,742,055	53.2%	\$ 9,995,332
June 30, 2014	\$ 2,720,841	46.8%	\$ 11,442,284

As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$36,655,856, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$36,655,856. The covered payroll (annual payroll of active employees covered by the Plan) was \$62,287,884, and the ratio of the UAAL to the covered payroll was 58.8 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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

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

In the July 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.75 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. The medical cost inflation trend used in this valuation was derived from the "Getzen Model" published by the Society of Actuaries for developing long term medical cost trends. The "Getzen Model" was then updated to reflect the latest economic growth factors, and an adjustment was made to reflect the value of expected excise taxes payable in 2018 and later. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, is 28 years.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 10. JOINT POWERS AGREEMENTS

##### Fresno County Self-Insurance Group

The District is a member with other school districts of a Joint Powers Authority, Fresno County Self-Insurance Group (FCSIG), which provides workers' compensation coverage to educational agencies in the Central Valley of California. FCSIG is governed by a board consisting of two district representatives from six districts and one representative from two Districts elected at large. The FCSIG Board controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. The following is a summary of financial information of FCSIG as of June 30, 2014:

Total assets	\$ 33,312,866
Total liabilities	\$ 21,669,026
Net position	\$ 11,643,840
Total revenues	\$ 9,474,109
Total expenses	\$ 8,876,278
Change in net position	\$ 597,831

##### Organization of Self-Insured Schools

The District is also a member with other school districts in the Organization of Self-Insured Schools (OSIS) Joint Powers Authority, which provides property and liability coverage to educational agencies in the Central Valley of California. OSIS is governed by a board consisting of one representative from each member district. The OSIS Board control the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. The following are summaries of financial information of OSIS as of June 30, 2014:

Total assets	\$ 3,968,740
Total liabilities	\$ 1,440,522
Net position	\$ 2,528,218
Total revenues	\$ 5,511,931
Total expenses	\$ 5,322,107
Change in net position	\$ 189,824

The relationship between Central Unified School District and the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes.

## CENTRAL UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 11. CONTINGENCIES

##### Contingent Liabilities

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.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the financial position or results of operations of the District.

##### Construction Commitments

As of June 30, 2014, the District has \$496,788 in outstanding commitments on construction contracts.

#### 12. SUBSEQUENT EVENT

In July 2014, the District issued General Obligation Bonds, Election 2008, Series C in the amount of \$7,497,871. The proceeds from the Series C bonds will be used to pay the District's 2013 General Obligation Bond Anticipation Notes, maturing April 1, 2016 and to construct a portion of the projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008. The bonds were issued as current interest bonds and capital appreciation bonds and interest rates ranging from 2.0% to 5.0%. The bonds are set to mature through July 2044.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2014**

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local Control Funding Formula				
State apportionment	\$ 84,601,628	\$ 85,494,385	\$ 86,130,172	\$ 635,787
Local sources	<u>10,412,013</u>	<u>10,634,184</u>	<u>11,055,981</u>	<u>421,797</u>
Total LCFF	<u>95,013,641</u>	<u>96,128,569</u>	<u>97,186,153</u>	<u>1,057,584</u>
Federal sources	7,683,937	7,561,074	7,071,395	(489,679)
Other state sources	6,219,331	7,879,682	7,494,044	(385,638)
Other local sources	<u>6,149,444</u>	<u>6,691,124</u>	<u>7,506,165</u>	<u>815,041</u>
Total revenues	<u>115,066,353</u>	<u>118,260,449</u>	<u>119,257,757</u>	<u>997,308</u>
Expenditures:				
Certificated salaries	53,158,978	54,471,731	53,954,162	517,569
Classified salaries	16,306,177	17,466,980	16,997,037	469,943
Employee benefits	23,820,885	24,213,776	23,606,817	606,959
Books and supplies	6,174,290	6,484,335	7,114,725	(630,390)
Contract services and				
operating expenditures	10,435,023	12,286,843	12,031,152	255,691
Capital outlay	5,922,785	6,365,001	11,681,786	(5,316,785)
Other outgo	300,746	328,115	917,191	(589,076)
Debt service:				
Principal retirement	1,335,000	1,609,766	1,723,698	(113,932)
Interest	<u>1,253,772</u>	<u>1,253,772</u>	<u>1,181,727</u>	<u>72,045</u>
Total expenditures	<u>118,707,656</u>	<u>124,480,319</u>	<u>129,208,295</u>	<u>(4,727,976)</u>
Deficiency of				
revenues under				
expenditures	<u>(3,641,303)</u>	<u>(6,219,870)</u>	<u>(9,950,538)</u>	<u>(3,730,668)</u>
Other financing sources (uses):				
Operating transfers in	329,397	334,356	1,504,582	1,170,226
Operating transfers out	-	-	(1,118,312)	(1,118,312)
Proceeds from capital leases	-	1,373,828	1,663,549	289,721
Proceeds from Qualified Zone				
Academy Bonds (QZABs)	<u>-</u>	<u>-</u>	<u>6,825,000</u>	<u>6,825,000</u>
Total other financing	<u>329,397</u>	<u>1,708,184</u>	<u>8,874,819</u>	<u>7,166,635</u>
sources (uses)				
Net change in fund balance	(3,311,906)	(4,511,686)	(1,075,719)	3,435,967
Fund balance, July 1, 2013	<u>22,008,311</u>	<u>22,008,311</u>	<u>22,008,311</u>	-
Fund balance, June 30, 2014	<u>\$ 18,696,405</u>	<u>\$ 17,496,625</u>	<u>\$ 20,932,592</u>	<u>\$ 3,435,967</u>

See accompanying notes to required supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**FUNDING PROGRESS**

For the Year Ended June 30, 2014

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2009	\$ -	\$35.5 million	\$35.5 million	0%	\$59.2 million	60.0%
July 1, 2011	\$ -	\$36.7 million	\$36.7 million	0%	\$62.3 million	58.8%

Only two years of actuarial valuation data is provided because the District has only had two valuations performed.

See accompanying notes to required supplementary information.



# CENTRAL UNIFIED SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### 1. PURPOSE OF SCHEDULES

#### A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2014 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Books and supplies	\$ 630,390
Capital outlay	\$ 5,316,785

These excess expenditures are not in accordance with Education Code 42600.

#### B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

## **SUPPLEMENTARY INFORMATION**

**CENTRAL UNIFIED SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR FUNDS**

**June 30, 2014**

	<b><u>Adult Education Fund</u></b>	<b><u>Child Development Fund</u></b>	<b><u>Cafeteria Fund</u></b>	<b><u>Deferred Maintenance Fund</u></b>	<b><u>County School Facilities Fund</u></b>	<b><u>Bond Interest and Redemption Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>							
Cash and investments:							
Cash in County Treasury	\$ 139,996	\$ 33,725	\$ 2,500,843	\$ 4,336	\$ 54,486	\$ 3,271,753	\$ 6,005,139
Cash on hand and in banks	170	-	35,345	-	-	-	35,515
Receivables	261,401	105,831	1,118,992	13	172	9,650	1,496,059
Due from other funds	12,268	208	30,706	-	-	-	43,182
Stores inventory	-	-	38,796	-	-	-	38,796
	<u>-</u>	<u>-</u>	<u>38,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,796</u>
Total assets	<u>\$ 413,835</u>	<u>\$ 139,764</u>	<u>\$ 3,724,682</u>	<u>\$ 4,349</u>	<u>\$ 54,658</u>	<u>\$ 3,281,403</u>	<u>\$ 7,618,691</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 80,179	\$ 12,126	\$ 89,124	\$ -	\$ -	\$ -	\$ 181,429
Due to other funds	25,025	100,835	363,574	-	-	-	489,434
	<u>105,204</u>	<u>112,961</u>	<u>452,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,863</u>
Total liabilities	<u>105,204</u>	<u>112,961</u>	<u>452,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,863</u>
Fund balances:							
Nonspendable	-	-	38,796	-	-	-	38,796
Restricted	308,631	26,803	3,233,188	4,349	54,658	3,281,403	6,909,032
	<u>308,631</u>	<u>26,803</u>	<u>3,233,188</u>	<u>4,349</u>	<u>54,658</u>	<u>3,281,403</u>	<u>6,909,032</u>
Total fund balances	<u>308,631</u>	<u>26,803</u>	<u>3,271,984</u>	<u>4,349</u>	<u>54,658</u>	<u>3,281,403</u>	<u>6,947,828</u>
Total liabilities and fund balances	<u>\$ 413,835</u>	<u>\$ 139,764</u>	<u>\$ 3,724,682</u>	<u>\$ 4,349</u>	<u>\$ 54,658</u>	<u>\$ 3,281,403</u>	<u>\$ 7,618,691</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**

**ALL NON-MAJOR FUNDS**

**For the Year Ended June 30, 2014**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total</b>
Revenues:							
Federal sources	\$ 367,243	\$ -	\$ 6,230,340	\$ -	\$ -	\$ -	\$ 6,597,583
Other state sources	81,826	457,448	482,139	-	-	100,265	1,121,678
Other local sources	<u>181,406</u>	<u>36,566</u>	<u>1,288,607</u>	<u>137</u>	<u>1,727</u>	<u>6,309,952</u>	<u>7,818,395</u>
Total revenues	<u>630,475</u>	<u>494,014</u>	<u>8,001,086</u>	<u>137</u>	<u>1,727</u>	<u>6,410,217</u>	<u>15,537,656</u>
Expenditures:							
Certificated salaries	276,821	56,048	-	-	-	-	332,869
Classified salaries	95,706	230,264	1,936,344	-	-	-	2,262,314
Employee benefits	82,831	87,455	754,635	-	-	-	924,921
Books and supplies	71,364	25,173	3,978,290	-	-	-	4,074,827
Contract services and operating expenditures	103,186	9,437	272,163	-	-	-	384,786
Capital outlay	-	64,364	63,025	-	-	-	127,389
Debt service:							
Principal retirement	-	-	-	-	-	2,410,000	2,410,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,246,434</u>	<u>4,246,434</u>
Total expenditures	<u>629,908</u>	<u>472,741</u>	<u>7,004,457</u>	<u>-</u>	<u>-</u>	<u>6,656,434</u>	<u>14,763,540</u>
Excess (deficiency) of revenues over (under) expenditures	567	21,273	996,629	137	1,727	(246,217)	774,116
Other financing uses:							
Operating transfers out	<u>(4,646)</u>	<u>(20,987)</u>	<u>(354,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,509)</u>
Net change in fund balances	(4,079)	286	641,753	137	1,727	(246,217)	393,607
Fund balances, July 1, 2013	<u>312,710</u>	<u>26,517</u>	<u>2,630,231</u>	<u>4,212</u>	<u>52,931</u>	<u>3,527,620</u>	<u>6,554,221</u>
Fund balances, June 30, 2014	<u>\$ 308,631</u>	<u>\$ 26,803</u>	<u>\$ 3,271,984</u>	<u>\$ 4,349</u>	<u>\$ 54,658</u>	<u>\$ 3,281,403</u>	<u>\$ 6,947,828</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**

**For the Year Ended June 30, 2014**

	<b><u>Balance</u></b> <b><u>July 1,</u></b> <b><u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b> <b><u>June 30,</u></b> <b><u>2014</u></b>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>150,806</u>	\$ <u>561,539</u>	\$ <u>537,498</u>	\$ <u>174,847</u>
Liabilities:				
Due to student groups	\$ <u>150,806</u>	\$ <u>561,539</u>	\$ <u>537,498</u>	\$ <u>174,847</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>93,545</u>	\$ <u>328,766</u>	\$ <u>327,341</u>	\$ <u>94,970</u>
Liabilities:				
Due to student groups	\$ <u>93,545</u>	\$ <u>328,766</u>	\$ <u>327,341</u>	\$ <u>94,970</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>322,366</u>	\$ <u>1,062,637</u>	\$ <u>1,034,620</u>	\$ <u>350,383</u>
Liabilities:				
Due to student groups	\$ <u>322,366</u>	\$ <u>1,062,637</u>	\$ <u>1,034,620</u>	\$ <u>350,383</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>566,717</u>	\$ <u>1,952,942</u>	\$ <u>1,899,459</u>	\$ <u>620,200</u>
Liabilities:				
Due to student groups	\$ <u>566,717</u>	\$ <u>1,952,942</u>	\$ <u>1,899,459</u>	\$ <u>620,200</u>

## **CENTRAL UNIFIED SCHOOL DISTRICT**

### **ORGANIZATION**

**June 30, 2014**

The Central Unified School District, a political subdivision of the State of California, was established in 1982 and encompasses an area of approximately 88 square miles in Fresno County. There were no changes in the District's boundaries during the year. The District serves grades kindergarten through twelve and operates thirteen elementary, two middle, one comprehensive high school (with two campuses), one continuation high school, one independent study center, two community day schools, and one adult school.

The Board of Education at June 30, 2014 was comprised of the following members:

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Leonard G. Ramirez	President	2016
Judith Geringer	Vice President	2014
Diana Milla	Clerk	2014
Cindy Berube	Member	2016
Terry Cox	Member	2016
Phil Rusconi	Member	2014
George Wilson, Jr.	Member	2014

The Superintendent's Executive Staff at June 30, 2014 was comprised of the following:

Michael Berg  
Superintendent

Kelly Porterfield  
Assistant Superintendent, Chief Business Officer

Chris Williams  
Assistant Superintendent, Human Resources

Laurel Ashlock  
Assistant Superintendent, Chief Academic Officer

Ketti Davis  
Assistant Superintendent, Professional Development

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**For the Year Ended June 30, 2014**

	<b><u>Second Period Report (Original)</u></b>	<b><u>Audited Second Period Report (Revised)*</u></b>	<b><u>Annual Report</u></b>
Elementary:			
Transitional Kindergarten through Third	4,733	4,733	4,733
Fourth through Sixth	3,498	3,498	3,498
Seventh and Eighth	2,287	2,287	2,279
Special Education	1	1	2
Community Day School	<u>11</u>	<u>11</u>	<u>17</u>
Subtotal Elementary	<u>10,530</u>	<u>10,530</u>	<u>10,529</u>
Secondary:			
Ninth through Twelfth	4,162	4,162	4,121
Community Day School	20	20	26
Continuation Education	<u>98</u>	<u>98</u>	<u>96</u>
Subtotal Secondary	<u>4,280</u>	<u>4,280</u>	<u>4,243</u>
District Totals	<u><u>14,810</u></u>	<u><u>14,810</u></u>	<u><u>14,772</u></u>

\* The District has revised their Second Period Report based on internal review of attendance records.

See accompanying notes to supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2014**

<b><u>Grade Level</u></b>	<b><u>Statutory Minutes Require- ment</u></b>	<b><u>Reduced Minutes Require- ment</u></b>	<b><u>2013-2014 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	35,000	53,280	180	In Compliance
Grade 1	50,400	49,000	56,690	180	In Compliance
Grade 2	50,400	49,000	56,690	180	In Compliance
Grade 3	50,400	49,000	56,690	180	In Compliance
Grade 4	54,000	52,500	56,690	180	In Compliance
Grade 5	54,000	52,500	56,690	180	In Compliance
Grade 6	54,000	52,500	56,690	180	In Compliance
Grade 7	54,000	52,500	57,450	180	In Compliance
Grade 8	54,000	52,500	57,450	180	In Compliance
Grade 9	64,800	63,000	65,290	180	In Compliance
Grade 10	64,800	63,000	65,290	180	In Compliance
Grade 11	64,800	63,000	65,290	180	In Compliance
Grade 12	64,800	63,000	65,290	180	In Compliance

See accompanying notes to supplementary information.



**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Programs:		
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 3,678,470
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action, Extensive Performance Problems	14956	1,333
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>24,487</u>
	Subtotal Title I Programs		<u>3,704,290</u>
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	2,083,631
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	79,198
84.173	Special Ed: IDEA Preschool Grant, Part B, Sec. 619	13430	<u>50,736</u>
	Subtotal Special Education Cluster		<u>2,213,565</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and ESL	14508	121,938
84.002A	Adult Education: Adult Education, English Literacy and Civics	14109	<u>19,335</u>
	Subtotal Adult Education Programs		<u>141,273</u>
	NCLB: Title I, Migrant Education Programs:		
84.011	NCLB: Title I, Migrant Education - Regular	14326	40,723
84.011	NCLB: Title I, Migrant Education - Summer	14326	<u>19,600</u>
	Subtotal NCLB: Title I, Migrant Education Programs		<u>60,323</u>
	Vocational Education Programs:		
84.048	Vocational Programs: Voc. and Applied Technology Secondary IC, Sec. 131 (Carl Perkins Act)	14894	118,247
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	14893	<u>97,560</u>
	Subtotal Vocational Education Programs		<u>215,807</u>

(Continued)

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
	Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	\$ 221,788
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>17,697</u>
	Subtotal Title III Programs		<u>239,485</u>
84.330B	Advanced Placement/International Baccalaureate	14831	24,311
84.002	Adult Education: Adult Secondary Education	13978	128,411
84.367	NCLB: Title II, Improving Teacher Quality Local Grants	14341	<u>334,827</u>
	Total U.S. Department of Education		<u>7,062,292</u>
	<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>		
93.778	Medi-Cal Billing Option	10013	<u>159,012</u>
	<u>U.S. Department of Agriculture - Passed through California Department of Education</u>		
10.555	Child Nutrition: School Programs (NSL Sec. 4)	13523	<u>6,230,340</u>
	Total Federal Programs		<u>\$ 13,451,644</u>

See accompanying notes to supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Year Ended June 30, 2014**

(UNAUDITED)

	(Budgeted) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$135,090,522</u>	<u>\$129,250,888</u>	<u>\$107,544,100</u>	<u>\$106,865,904</u>
Expenditures	136,270,573	129,208,295	110,410,110	106,576,373
Other uses and transfers out	<u>-</u>	<u>1,118,312</u>	<u>13,144</u>	<u>700,000</u>
Total outgo	<u>136,270,573</u>	<u>130,326,607</u>	<u>110,423,254</u>	<u>107,276,373</u>
Change in fund balance	<u>\$ (1,180,051)</u>	<u>\$ (1,075,719)</u>	<u>\$ (2,879,154)</u>	<u>\$ (410,469)</u>
Ending fund balance	<u>\$ 19,752,541</u>	<u>\$ 20,932,592</u>	<u>\$ 22,008,311</u>	<u>\$ 24,887,465</u>
Available reserves	<u>\$ 6,859,873</u>	<u>\$ 6,507,891</u>	<u>\$ 5,504,681</u>	<u>\$ 5,410,540</u>
Designated for economic uncertainties	<u>\$ 6,859,873</u>	<u>\$ 6,507,891</u>	<u>\$ 5,504,681</u>	<u>\$ 5,410,540</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$150,034,023</u>	<u>\$148,719,968</u>	<u>\$138,986,579</u>	<u>\$139,475,762</u>
Average daily attendance at P-2	<u>14,981</u>	<u>14,810</u>	<u>14,489</u>	<u>14,269</u>

The General Fund fund balance has decreased by \$4,365,342 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$1,180,051. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2014, the District has met this requirement.

The District has incurred operating deficits in each of the past three years. The District anticipates an operating deficit in fiscal year 2014-15.

Total long-term liabilities have increased by \$9,244,206 over the past two years.

Average daily attendance has increased by 541 over the past two years. An increase of 171 ADA is projected for the 2014-15 fiscal year.

See accompanying notes to supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2014**

**Charter Schools Chartered by District**

**Included in District  
Financial Statements, or  
Separate Report**

There are currently no charter schools in the District.

See accompanying notes to supplementary information.

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 13,668,978
Add: Advanced Placement/International Baccalaureate expenditures in excess of revenues	84.330B	821
Less: Medi-Cal Billing Funds funds not spent	93.778	<u>(218,155)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 13,451,644</u>

**CENTRAL UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

**1. PURPOSE OF SCHEDULES (Continued)**

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education  
Central Unified School District  
Fresno, California

**Report on Compliance with State Laws and Regulations**

We have audited Central Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	No, see below
Instructional Time	10	Yes
Instructional Materials	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below
Charter School Facility Grant Program	1	No, see below



We did not perform any procedures related to Continuation Education because the amount of ADA is not material.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer an Early Retirement Incentive Program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District does not operate a Juvenile Court Schools Program.

We did not perform any procedures related to After School Education and Safety Program because the District did not offer this program in the current year.

We did not perform any procedures related charter schools because the District does not sponsor any charter schools.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Central Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Central 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 with state laws and regulations. However, our audit does not provide a legal determination of Central Unified School District's compliance.

### ***Opinion with State Laws and Regulations***

In our opinion, Central Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Central Unified School District had not complied with the state laws and regulations.

### ***Purpose of this Report***

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California  
December 10, 2014

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

Board of Education  
Central Unified School District  
Fresno, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Central Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2014.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

### Compliance and Other Matters

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

## Response to Finding

Central Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Central Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California  
December 10, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education  
Central Unified School District  
Fresno, California

**Report on Compliance for Each Major Federal Program**

We have audited Central 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 Central Unified School District's major federal programs for the year ended June 30, 2014. Central Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Central 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 Central 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 Central Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Central 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 Central 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 Central 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 Central 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.

### ***Purpose of this Report***

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

  
Crowe Horwath LLP

Sacramento, California  
December 10, 2014

## **FINDINGS AND RECOMMENDATIONS**

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u>  X  </u> None reported

Noncompliance material to financial statements noted?

	_____ Yes	<u>  X  </u> No
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**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u>  X  </u> None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

	_____ Yes	<u>  X  </u> No
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Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
84.027, 84.173	Special Education Cluster
10.555	Child Nutrition: School Programs (NSL Sec. 4)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 403,549

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

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

**CENTRAL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2014-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)**

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Roosevelt Elementary School, the following conditions were noted:

- No evidence of approval for new fundraising activities.
- No controls in place for safeguarding of equipment purchased with ASB funds.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Revenue-producing activities should be approved by the student council, Principal and District's management.
- The District should maintain an inventory of all equipment purchased with ASB funds. In addition, the District should perform a periodic inventory check of the equipment purchased.

Corrective Action Plan

The District provides ongoing training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the Auditors' recommendation, some at a greater level than what has been suggested. The District will provide additional training focused on preparing required documentation for compliance and periodic inventory.



**CENTRAL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2014**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**CENTRAL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2014**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**CENTRAL UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**Year Ended June 30, 2014**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
2013-01	Partially Implemented.	See current year finding, 2014-001.
At Biola-Pershing Elementary School: <ul style="list-style-type: none"><li>• Deposits were not being made in a timely manner.</li></ul>		
At Liddell Elementary School: <ul style="list-style-type: none"><li>• Receipts are not being issued for money being turned into the office.</li><li>• Cash collections are not being recorded in a timely manner.</li><li>• Deposits are not being made in a timely manner.</li></ul>		
At River Bluff Elementary School: <ul style="list-style-type: none"><li>• Cash reconciliations were not being reviewed in a timely manner.</li></ul>		
At Central West High School: <ul style="list-style-type: none"><li>• Profit and Loss statements were not being prepared on a monthly basis for the student store sales.</li></ul>		
We recommend that the District enforce the following controls: <ul style="list-style-type: none"><li>• Deposits should be made on a weekly basis.</li><li>• Receipts should be issued for monies turned into the office.</li><li>• Cash receipts should be recorded on at least a weekly basis.</li><li>• Profit and Loss statements for the student store should be prepared on a monthly basis and be reviewed by the Principal.</li><li>• Cash reconciliations should be prepared on a monthly basis and reviewed by the Principal.</li></ul>		