ANAHEIM UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Anaheim Union High School District
Anaheim, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District, as of June 30, 2017, and the respective changes in financial position and, 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 5 through 14, budgetary comparison schedule on pages 73, schedule of other postemployment benefits funding progress on page 74, schedule of the District's proportionate share of net pension liability on page 75, and the schedule of District contributions on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anaheim Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Anaheim Union High 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 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 Anaheim Union High School District's 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 Anaheim Union High School District's internal control over financial reporting and compliance.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017

ANAHEIM UNION HIGH SCHOOL DISTRICT
THE SPIRIT OF LEARNING SINCE 1898

This section of Anaheim Union High School District's (the District) June 30, 2017, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for the year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Anaheim Union High School District.

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 are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of grade seven through grade twelve students, 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.

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 governmental agencies.

Governmental Funds **-** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The 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 Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. 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. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(37,111,225) for the fiscal year-ended June 30, 2017. Of this amount, $(275,086,177) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 224,557,423	$ 175,410,796
Capital assets	286,042,508	277,279,510
Total Assets	**510,599,931**	**452,690,306**
Deferred Outflows of Resources	**70,089,098**	**62,875,207**
Liabilities		
Current liabilities	27,083,624	33,582,836
Long-term obligations	236,220,489	203,163,195
Aggregate net pension liability	331,298,764	282,946,822
Total Liabilities	**594,602,877**	**519,692,853**
Deferred Inflows of Resources	**23,197,377**	**56,339,049**
Net Position		
Net investment in capital assets	163,948,477	152,133,818
Restricted	74,026,475	65,241,380
Unrestricted (Deficit)	(275,086,177)	(277,841,587)
Total Net Position	**$ (37,111,225)**	**$ (60,466,389)**

The increase in total assets is mainly due to the proceeds from the issuance of Certificate of Participation(COP) and increased revenues. The increase in capital assets can be attributed to modernization/construction expenditures. Total liabilities increased primarily due to an increase in the net pension liability and the issuance of Certificates of Participation. The deficit net position is the result of the implementation of GASB Statement No. 68, requiring districts to report their share of CalSTRS and CalPERS net pension liability.

Changes in Net Position

The changes in net position for this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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 year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 3,480,566	$ 3,199,122
Operating grants and contributions	87,618,244	70,532,094
Capital grants and contributions	2,202	3,475
General revenues:		
Federal and State aid not restricted	229,739,195	232,344,101
Property taxes	105,837,011	100,554,828
Other general revenues	10,586,015	11,572,358
Total Revenues	**437,263,233**	**418,205,978**
Expenses		
Instruction-related	273,538,377	255,428,277
Pupil services	56,464,014	54,688,055
Administration	20,063,632	18,156,621
Plant services	38,494,814	37,718,947
Other	25,347,232	24,099,930
Total Expenses	**413,908,069**	**390,091,830**
Change in Net Position	**$ 23,355,164**	**$ 28,114,148**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $413,908,069. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $105,837,011 because the cost was paid by those who benefited from the programs $(3,480,566) or by other governments and organizations who subsidized certain programs with grants and contributions $(87,620,446). We paid for the remaining "public benefit" portion of our governmental activities with $240,325,210 in Federal and State funds and with other revenues, like interest and general entitlements. Operating grants and contributions consist of categorical programs. Capital grants and contributions consist of State modernization and construction funds.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 242,178,293	$ 226,434,306	$ 192,944,605	$ 185,806,958
Instruction-related activities	31,360,084	28,993,971	27,949,560	26,015,889
Pupil services	56,464,014	54,688,055	28,835,008	29,369,814
Administration	20,063,632	18,156,621	14,115,813	17,168,322
Plant services	38,494,814	37,718,947	38,050,249	37,146,934
Other	25,347,232	24,099,930	20,911,822	20,849,222
Total	**$ 413,908,069**	**$ 390,091,830**	**$ 322,807,057**	**$ 316,357,139**

The main reason for the year-to-year changes in total cost of services is due to increases in salary and benefit expenditures and increases in other operating expenditures.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $187,480,995, which is an increase of $56,569,508 from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2016	Revenues	Expenditures	June 30, 2017
General Fund	$ 44,563,351	$ 387,213,873	$ 358,112,497	$ 73,664,727
Cafeteria Fund	8,452,203	24,427,810	23,994,385	8,885,628
Building	36,994,613	279,058	5,996,391	31,277,280
Capital Facilities Fund	21,565,036	6,203,023	1,351,630	26,416,429
County School Facilities Fund	352,661	2,201	213,170	141,692
Special Reserve Fund for Capital Outlay Projects	24,051	36,677,885	6,559,888	30,142,048
Bond Interest and Redemption Fund	18,959,572	18,085,863	20,092,244	16,953,191
Total	**$ 130,911,487**	**$ 472,889,713**	**$ 416,320,205**	**$ 187,480,995**

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The actual fund balance during the 2016- 2017 fiscal year increased approximately $29.1 million primarily due to an increase in LCFF revenues, CTE Incentive Grant revenue, and Proposition 39 revenue.

2. The Building Fund decrease of $5.7 million is attributed to modernization/construction projects.

3. Our Capital Facilities Fund revenue was $6.2 million and expenditures were $1.3 million for an increase in fund balance of $4.9 million. Expenditures include $1.1 million for projects at Anaheim High School and Dale Jr High School.

4. Our Special Reserve fund for Capital Outlay projects increase $30.1 million due to the issuance of $34.5 million in Certificates of Participation. Expenditures of $6.5 million were attributed to construction at Katella High School for the DROPs project and the cost of a district with phone system.

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 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 73.

1. General Fund final budgeted ending fund balance increased by approximately $19 million over the original projection. A total of $11.8 million in restricted funds were budgeted in expenditure accounts in the original budget and then moved to the Restricted Reserve in the Final budget. This is a normal practice of the District as not all restricted monies are spent in the year the monies are received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $286,042,508 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $8,762,998, or 3.2 percent, from last year.

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	$ 26,226,332	$ 16,420,944
Buildings and improvements	249,332,228	252,524,455
Furniture and equipment	10,483,948	8,334,111
Total	**$ 286,042,508**	**$ 277,279,510**

This year's increase of $8.7 million is due primarily to the 21st Century classroom furniture and the Katella High School DROPS site improvement.

The District's major construction program has begun and will be on-going. Smaller, routine facilities projects are on-going. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $236,220,489 in long-term obligations outstanding versus $203,163,195 last year, an increase of 16.3 percent. The long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds (financed with property taxes)	$ 137,629,538	$ 151,036,305
Premium on issuance	12,355,624	13,647,446
Certificates of participation	39,595,000	5,000,000
Premium on issuance	1,904,933	-
Other postemployment benefits	30,372,707	24,840,560
Other	14,362,687	8,638,884
Total	**$ 236,220,489**	**$ 203,163,195**

The District's general obligation bond rating is "Aa2" (insured). The State limits the amount of general obligation debt that districts can issue to no more than 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $137,629,538 is significantly below statutorily-imposed limit.

Other obligations include the issuance of certificates of participation, compensated absences payable and the supplemental early retirement plans. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year end, the District had a net pension liability of $23,197,377 as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

The District continued a $3.2 million project to provide 221 classrooms with 21st Century classroom furniture.

The $12.8 million Katella High School DROPS site improvement was completed. Other projects are in the planning phase.

The district issued $34.5 million in certificates of participation for the purpose of funding capital improvement projects.

The district purchased 16 buses to replace diesel buses for cleaner burning alternative fuel buses per state regulations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Adopted Budget for the 2017-2018 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Cost-of-Living Adjustment (COLA) of 1.56 percent.
2. Average Daily Attendance (ADA) was budgeted at a 305 decrease from prior year.
3. The GAP funding rate was 43.97 percent.
4. The unduplicated enrollment count percentage used was 70.74 percent.
5. Federal income was not increased or decreased other than for an estimated carryover.
6. State lottery was budgeted at $189 per ADA.
7. Grants include estimated carryover from 2016-2017, and are adjusted to actual after June 30, 2017.
8. Interest rate for Cash in County budgeted at 0.77 percent.
9. Certificated negotiations for the 2017-2018 fiscal year are not complete. The budget was reduced by $500,000 for attrition.
10. Classified negotiations for the 2017-2018 fiscal year are not complete. The budget was reduced by $500,000 for attrition.
11. Health and welfare costs were budgeted for an overall increase due to estimated increase in premiums. Workers' Compensation was budgeted to increase by 2.5 percent due to premium increase.
12. Routine restricted maintenance expenditures include three percent of total budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at (714) 999-3555, Anaheim Union High School District, 501 Crescent Way, Anaheim, California, 92803, or e-mail at root_j@auhsd.us.

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 208,269,454
Receivables	15,377,458
Stores inventories	910,511
Capital assets	
Land and construction in process	26,226,332
Other capital assets	415,117,317
Less: Accumulated depreciation	(155,301,141)
Total Capital Assets	286,042,508
Total Assets	510,599,931
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,438,842
Deferred outflows of resources related to pensions	68,650,256
Total Deferred Outflows of Resources	70,089,098
LIABILITIES	
Accounts payable	15,987,254
Accrued interest payable	2,858,622
Unearned revenue	4,045,575
Claims liability	4,192,173
Long-term obligations:	
Current portion of long-term obligations other than pensions	19,151,966
Noncurrent portion of long-term obligations other than pensions	217,068,523
Total Long-Term Obligations	236,220,489
Aggregate net pension liability	331,298,764
Total Liabilities	594,602,877
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	23,197,377
NET POSITION	
Net investment in capital assets	163,948,477
Restricted for:	
Debt service	18,329,366
Capital projects	22,323,324
Educational programs	11,882,812
Other activities	21,490,973
Unrestricted (Deficit)	(275,086,177)
Total Net Position	$ (37,111,225)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 242,178,293	$ 1,077,938	$ 48,153,548
Instruction-related activities:			
Supervision of instruction	7,072,631	1,656	2,506,908
Instructional library, media, and technology	1,799,022	-	5,472
School site administration	22,488,431	10,694	885,794
Pupil services:			
Home-to-school transportation	7,091,942	4,862	60,954
Food services	25,018,790	2,305,680	21,711,744
All other pupil services	24,353,282	10,611	3,535,155
General administration:			
Data processing	5,672,644	-	-
All other general administration	14,390,988	45	5,947,774
Plant services	38,494,814	37,289	407,276
Ancillary services	6,166,528	69	886,169
Community services	772,250	-	95,371
Interest on long-term obligations	6,481,870	-	-
Other outgo	11,926,584	31,722	3,422,079
Total Governmental Activities	$ 413,908,069	$ 3,480,566	$ 87,618,244

General Revenues and Subventions:
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Program Revenues	Net (Expenses) Revenues and Changes in Net Position
Capital Grants and Contributions	Total
$ 2,202	$ (192,944,605)
-	(4,564,067)
-	(1,793,550)
-	(21,591,943)
-	(7,026,126)
-	(1,001,366)
-	(20,807,516)
-	(5,672,644)
-	(8,443,169)
-	(38,050,249)
-	(5,280,290)
-	(676,879)
-	(6,481,870)
-	(8,472,783)
$ 2,202	(322,807,057)
	84,932,518
	18,001,870
	2,902,623
	229,739,195
	1,331,679
	9,254,336
	346,162,221
	23,355,164
	(60,466,389)
	$ (37,111,225)

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 77,592,155	$ 31,957,209	$ 26,442,716
Receivables	12,254,948	27,965	17,498
Due from other funds	908,649	12,502	206,538
Stores inventories	664,430	-	-
Total Assets	$ 91,420,182	$ 31,997,676	$ 26,666,752
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 13,732,309	$ 720,396	$ 250,323
Due to other funds	-	-	-
Unearned revenue	4,023,146	-	-
Total Liabilities	17,755,455	720,396	250,323
Fund Balances:			
Nonspendable	819,430	-	-
Restricted	11,882,812	31,277,280	26,416,429
Assigned	28,115,425	-	-
Unassigned	32,847,060	-	-
Total Fund Balances	73,664,727	31,277,280	26,416,429
Total Liabilities and Fund Balances	$ 91,420,182	$ 31,997,676	$ 26,666,752

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

	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
	$ 30,337,573	$ 24,135,403	$ 190,465,056
	27,212	2,978,094	15,305,717
	-	-	1,127,689
	-	246,081	910,511
	$ 30,364,785	$ 27,359,578	$ 207,808,973
	$ 3,697	$ 447,989	$ 15,154,714
	219,040	908,649	1,127,689
	-	22,429	4,045,575
	222,737	1,379,067	20,327,978
	-	246,081	1,065,511
	30,117,996	25,734,430	125,428,947
	24,052	-	28,139,477
	-	-	32,847,060
	30,142,048	25,980,511	187,480,995
	$ 30,364,785	$ 27,359,578	$ 207,808,973

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 187,480,995**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following	$ 441,343,649	
Accumulated depreciation is the following	(155,301,141)	
Net Capital Assets		286,042,508
Deferred gains or losses on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities expense.		1,438,842
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,858,622)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are the following:		12,851,426
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	26,871,940	
Net change in proportionate share of net pension liability	3,888,520	
Difference between projected and actual earnings on pension plan investments	33,703,389	
Differences between expected and actual experience in the measurement of the total pension liability	4,186,407	
Total Deferred Outflows of Resources Related to Pensions		68,650,256

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2017

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (14,565,752)	
Differences between expected and actual experience in the measurement of the total pension liability	(5,707,240)	
Changes in assumptions	(2,924,385)	
Total Deferred Inflows of Resources Related to Pensions		$ (23,197,377)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(331,298,764)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as iabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	130,663,955	
Premium on issuance, net of amortization	12,355,624	
Certificates of participation	39,595,000	
Premium on issuance, net of amortization	1,904,933	
Capital lease	408,637	
Property and liability	292,000	
Accumulated vacation	1,765,858	
Supplemental early retirement plan	11,896,192	
Other postemployment benefits	30,372,707	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	6,965,583	
Total Long-Term Obligations		(236,220,489)
Total Net Position - Governmental Activities		**$ (37,111,225)**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2017

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 300,736,401	$ -	$ -
Federal sources	17,908,611	-	-
Other State sources	59,464,671	-	-
Other local sources	7,931,958	279,058	6,203,023
Total Revenues	386,041,641	279,058	6,203,023
EXPENDITURES			
Current			
Instruction	220,254,881	-	-
Instruction-related activities:			
Supervision of instruction	6,730,429	-	-
Instructional library, media, and technology	1,712,389	-	-
School site administration	20,714,346	-	-
Pupil services:			
Home-to-school transportation	8,705,794	-	-
Food services	31,495	-	-
All other pupil services	23,190,241	-	-
General administration:			
Data processing	5,395,116	-	-
All other general administration	13,434,338	-	46,431
Plant services	36,575,870	-	-
Facility acquisition and construction	1,683,149	5,996,391	1,305,199
Ancillary services	5,937,028	-	-
Community services	738,091	-	-
Other outgo	11,926,584	-	-
Debt service			
Principal	1,075,023	-	-
Interest and other	7,723	-	-
Total Expenditures	358,112,497	5,996,391	1,351,630
Excess (Deficiency) of Revenues Over Expenditures	27,929,144	(5,717,333)	4,851,393
OTHER FINANCING SOURCES			
Other sources - proceeds from issuance of certificate of participation	-	-	-
Other sources - proceeds from a capital lease	1,172,232	-	-
Net Financing Sources	1,172,232	-	-
NET CHANGE IN FUND BALANCES	29,101,376	(5,717,333)	4,851,393
Fund Balances - Beginning	44,563,351	36,994,613	21,565,036
Fund Balances - Ending	$ 73,664,727	$ 31,277,280	$ 26,416,429

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

Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 300,736,401
-	20,315,916	38,224,527
-	1,529,699	60,994,370
137,421	20,670,259	35,221,719
137,421	42,515,874	435,177,017
-	-	220,254,881
-	-	6,730,429
-	-	1,712,389
-	-	20,714,346
-	-	8,705,794
-	23,602,979	23,634,474
-	-	23,190,241
-	-	5,395,116
-	-	13,480,769
-	308,905	36,884,775
5,853,776	295,671	15,134,186
-	-	5,937,028
-	-	738,091
-	-	11,926,584
-	14,140,000	15,215,023
706,112	5,952,244	6,666,079
6,559,888	44,299,799	416,320,205
(6,422,467)	(1,783,925)	18,856,812
36,540,464	-	36,540,464
-	-	1,172,232
36,540,464	-	37,712,696
30,117,997	(1,783,925)	56,569,508
24,051	27,764,436	130,911,487
$ 30,142,048	$ 25,980,511	$ 187,480,995

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR- ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ 56,569,508**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 17,814,651	
Depreciation expense	(9,041,653)	8,772,998
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(10,000)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.		(1,172,232)
In the Statement of Activities, certain operating expenses - compensated absences (vacations), special termination benefits (supplemental early retirement plan) and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $97,302. Special termination benefits added was more than the amount paid by $5,723,896. Other postemployment benefits paid was less than the amount earned by $5,532,147.		(11,158,741)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(7,812,697)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Sale of certificates of participation		(34,595,000)

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

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR-ENDED JUNE 30, 2017

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Premium on issuance		$ (1,945,464)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 14,140,000	
Capital lease obligations	1,075,023	15,215,023
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	1,332,353	
Amortization of deferred amount on refunding	(183,682)	1,148,671
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation increased by $231,229, and second, $733,233 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and certificates of participation.		(964,462)
An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.		(692,440)
Change in Net Position of Governmental Activities		**$ 23,355,164**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 17,804,398
Receivables	71,741
Total Current Assets	17,876,139
LIABILITIES	
Current Liabilities	
Accounts payable	832,540
Current portion of claims liability	3,850,720
Total Current Liabilities	4,683,260
Noncurrent Liabilities	
Claims liability	341,453
Total Liabilities	5,024,713
NET POSITION	
Restricted	12,851,426
Total Net Position	$ 12,851,426

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 49,805,311
OPERATING EXPENSES	
Professional and contract services	50,650,682
Operating Loss	(845,371)
NONOPERATING REVENUES	
Interest income	152,931
Change in Net Position	(692,440)
Total Net Position - Beginning	13,543,866
Total Net Position - Ending	$ 12,851,426

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 57,590,256
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(51,234,587)
Net Cash Provided in Operating Activities	6,355,669
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	144,460
Net Increase in Cash and Cash Equivalents	6,500,129
Cash and Cash Equivalents - Beginning	11,304,269
Cash and Cash Equivalents - Ending	$ 17,804,398
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (845,371)
Changes in assets and liabilities:	
Receivables	(15,055)
Due from other funds	7,800,000
Accounts payable	(757,545)
Claims liability	173,640
NET CASH PROVIDED IN OPERATING ACTIVITIES	$ 6,355,669

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	$ 3,009,905
Receivables	68,762
Stores inventories	1,833
Total Assets	$ 3,080,500
LIABILITIES	
Accounts payable	$ 41,753
Due to student groups	2,557,632
Due to other agencies	481,115
Total Liabilities	$ 3,080,500

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Anaheim Union High School District (the District) was organized in 1898 under the laws of the State of California. The District operates under a locally-elected five member Board form of government and provides educational services to grades 7-12 as mandated by the State and Federal agencies. The District operates eight high schools, one continuation high school, eight junior high schools, one 7-12 academy, one special education facility, and an independent study program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Anaheim Union High School District Facilities Corporation (the Corporation), as represented by the 2004 Certificates of Participation, Series A, B, and C, and the 2003 Qualified Zone Academy Bond Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District. The financial statements present the Corporation's financial debt activity within the Capital Facilities Fund. All debt instruments issued by the Corporation are included as long-term obligations in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Under the Flexibility provisions of current statue that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within this fund would be considered to be available for general education purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $3,647,022, an increase of revenues and other financing sources of $16,538, and a decrease in expenditures and other financing uses of $1,498,874.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

Debt Service Funds The Debt Service Funds are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (Education Code Sections 15125-15262).

Proprietary Fund Proprietary Fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service Fund may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates workers' compensation and health and welfare self-insurance funds that are accounted for in an internal service fund.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District operates no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and monies received on behalf of Special Education Local Plan Area (SELPA) for special education revenue passed through to Greater Anaheim Special Education Local Plan Area (GASELPA).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

Proprietary Funds Proprietary Funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the fiduciary type funds when used.

Deferred Charges

Deferred charges relate to the refunding of long-term debt obligations. In the government-wide and proprietary funds financial statements, costs of refunding (the difference between the reacquisition price and the net carrying value of the refunded debt) are capitalized and amortized over the life of the related debt as a component of interest expense using a method that approximates the effective interest method. In the governmental fund financial statements, these costs are reported as expenditures.

Capital Assets and Depreciation

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

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/ infrastructure, 5 to 50 years; equipment, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability on the government-wide statement of net position as the benefits are earned. For governmental funds, unpaid compensation absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In the government-wide financial statements and in the proprietary fund type financial statements, premiums and discounts on issuance of long-term obligations are deferred and amortized over the life of the related debt as a component of interest expense using the straight-line method. In the governmental funds, premiums and discounts on issuance of long-term obligations are recognized as other financing sources and uses, respectively.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The Districts currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or assistant superintendent of business may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report net position restricted by enabling legislation of $74,026,475.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary cost incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$	208,269,454
Fiduciary funds		3,009,905
Total Deposits and Investments	$	211,279,359

Deposits and investments as of June 30, 2017, consisted of the following:

Cash on hand and in banks	$	11,404,813
Cash in revolving		155,000
Investments		199,719,546
Total Deposits and Investments	$	211,279,359

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing primarily in the Orange County Treasury Investment Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Carrying Value	Maturity Date/ Average Maturity in Days
Bnp Paribas Fortis Commercial Paper	$ 4,232,353	12/26/2017
First American Treasury Obligations	10,850	26
Orange County Treasury Investment Pool	195,476,343	325
Total	$ 199,719,546	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Treasury Investment Pool is not required to be rated as of year-end, nor has it been rated. The First American Treasury Obligations reflected an Aaa-mf rating by Moody's. The Bnp Paribas Fortis commercial paper reflected a P-1 rating by Moody's.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. There were no investments in any one issuer that represent five percent (5%) or more of the total investments.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. Monies so deposited shall be in a fully-secured or collateralized account or instruments. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance of $16,730,963 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 **-** Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 **-** Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 **-** Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized **-** Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

		Fair Value Measurements Using			
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized	Total
Bnp Paribas Fortis Commercial Paper	$ 4,232,353	$ -	$ 4,232,353	$ -	$ 4,232,353
First American Treasury Obligations	10,850	10,850	-	-	10,850
Orange County Treasury Investment Pool	195,476,343	-	-	195,476,343	195,476,343
Total	$ 199,719,546	$ 10,850	$ 4,232,353	$ 195,476,343	$ 199,719,546

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects
Federal Government				
Categorical aid	$ 4,431,237	$ -	$ -	$ -
State Government				
Categorical aid	803,411	-	-	-
Lottery	2,801,031	-	-	-
Special Education	644,552	-	-	-
Local Government				
Interest	35,126	27,965	17,498	27,212
Greater Anaheim SELPA	993,659	-	-	-
North Orange County ROP	1,522	-	-	-
Due from other LEAs	1,114,521	-	-	
Other local sources	1,429,889	-	-	-
Total	$ 12,254,948	$ 27,965	$ 17,498	$ 27,212

	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government				
Categorical aid	$ 2,694,865	$ -	$ 7,126,102	$ -
State Government				
Categorical aid	188,303	-	991,714	-
Lottery	-	-	2,801,031	-
Special Education	-	-	644,552	-
Local Government				
Interest	149	14,408	122,358	-
Greater Anaheim SELPA	-	-	993,659	-
North Orange County ROP	-	-	1,522	-
Due from other LEAs	-	-	1,114,521	-
Other local sources	94,777	57,333	1,581,999	68,762
Total	$ 2,978,094	$ 71,741	$ 15,377,458	$ 68,762

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 9,063,222	$ -	$ -	$ 9,063,222
Construction in process	7,357,722	12,939,388	3,134,000	17,163,110
Total Capital Assets Not Being Depreciated	16,420,944	12,939,388	3,134,000	26,226,332
Capital Assets Being Depreciated				
Land improvements	23,774,925	-	-	23,774,925
Buildings and improvements	363,095,968	4,602,097	-	367,698,065
Furniture and equipment	13,360,364	958,590	38,179	14,280,775
Vehicles	7,545,208	2,448,576	630,232	9,363,552
Total Capital Assets Being Depreciated	407,776,465	8,009,263	668,411	415,117,317
Total Capital Assets	424,197,409	20,948,651	3,802,411	441,343,649
Less Accumulated Depreciation				
Land improvements	18,763,729	339,796	-	19,103,525
Buildings and improvements	115,582,709	7,454,528	-	123,037,237
Furniture and equipment	7,597,344	833,840	38,179	8,393,005
Vehicles	4,974,117	413,489	620,232	4,767,374
Total Accumulated Depreciation	146,917,899	9,041,653	658,411	155,301,141
Governmental Activities Capital Assets, Net	$ 277,279,510	$ 11,906,998	$ 3,144,000	$ 286,042,508

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

Governmental Activities	
Instruction	$ 5,696,240
School site administration	723,332
Home-to-school transportation	271,250
Food services	813,749
Data processing	90,417
All other general administration	452,083
Plant services	994,582
Total Depreciation Expenses Governmental Activities	$ 9,041,653

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

	Due From		
Due To	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 908,649	$ 908,649
Building Fund	12,502	-	12,502
Capital Facilities Fund	206,538	-	206,538
Total	$ 219,040	$ 908,649	$ 1,127,689

The balance of $908,649 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

The balance of $12,502 is due to the Building Fund from the Special Reserve Fund for Capital Outlay Projects reimbursement of project costs.

The balance of $206,538 is due to the Capital Facilities Fund from the Special Reserve Fund for Capital Outlay Projects for reimbursement of project costs.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects
Accrued payroll and benefits	$ 5,361,290	$ -	$ -	$ -
LCFF apportionment	910,636	-	-	-
Books and supplies	747,604	-	-	
Services	4,348,453	-	23,320	-
Construction	1,014,138	720,396	227,003	3,530
Greater Anaheim SELPA	17,319	-	-	-
North Orange County ROP	969,213	-	-	-
Orange County Department of Education	106,005	-	-	-
Other	257,651	-	-	167
Total	$ 13,732,309	$ 720,396	$ 250,323	$ 3,697

	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Accrued payroll and benefits	$ -	$ -	$ 5,361,290	$ -
LCFF apportionment	-	-	910,636	-
Books and supplies	325,990	-	1,073,594	-
Services	82,736	832,540	5,287,049	-
Construction	30,485	-	1,995,552	-
Greater Anaheim SELPA	-	-	17,319	-
North Orange County ROP	-	-	969,213	-
Orange County Department of Education	-	-	106,005	-
Other	8,778	-	266,596	41,753
Total	$ 447,989	$ 832,540	$ 15,987,254	$ 41,753

NOTE 8 - UNEARNED REVENUES

Unearned revenues at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 42,082	$ -	$ 42,082
State categorical aid	3,947,428	-	3,947,428
Other local	33,636	22,429	56,065
Total	$ 4,023,146	$ 22,429	$ 4,045,575

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 151,036,305	$ 733,233	$ 14,140,000	$ 137,629,538	$ 13,135,000
Premium on issuance	13,647,446	-	1,291,822	12,355,624	-
Certificates of participation	5,000,000	34,595,000	-	39,595,000	990,000
Premium on issuance	-	1,945,464	40,531	1,904,933	-
Property and liability	292,000	841,701	841,701	292,000	-
Accumulated vacation - net	1,863,160	-	97,302	1,765,858	-
Capital leases	311,428	1,172,232	1,075,023	408,637	92,211
Supplemental early retirement plan	6,172,296	7,266,970	1,543,074	11,896,192	2,996,468
Other postemployment benefits	24,840,560	7,470,434	1,938,287	30,372,707	1,938,287
	$ 203,163,195	$ 54,025,034	$ 20,967,740	$ 236,220,489	$ 19,151,966

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation are made by the Capital Facilities Fund. Payments for the capital lease, property and liability and supplemental early retirement plan are made by the General Fund. The accumulated vacation will be paid by the fund for which the employee worked. Other postemployment benefits are paid by the Self-Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted	Redeemed	Bonds Outstanding June 30, 2017
6/6/02	8/1/26	3.00% - 5.70%	$ 91,999,603	$ 4,749,922	$ 274,583	$ -	$ 5,024,505
12/5/03	8/1/28	2.00% - 5.54%	26,999,352	6,671,383	458,650	-	7,130,033
5/10/06	8/1/22	4.00% - 5.25%	13,000,000	870,000	-	870,000	-
10/11/12	8/1/27	2.50% - 5.00%	21,225,000	18,865,000	-	1,000,000	17,865,000
5/7/15	8/1/40	3.25% - 5.00%	63,455,000	63,455,000	-	8,850,000	54,605,000
5/7/15	8/1/25	5.00%	57,455,000	56,425,000	-	3,420,000	53,005,000
			$ 274,133,955	$ 151,036,305	$ 733,233	$ 14,140,000	$ 137,629,538

2002 General Obligation Bonds, Series A

On June 6, 2002, the District issued $91,999,603 aggregate original principal amount of 2002 General Obligation Bonds, Series A. The bonds issued included $89,790,000 of current interest bonds and $2,209,603 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of $8,570,000. The bonds mature through August 1, 2026, with interest yields ranging from 3.00 to 5.70 percent. On January 13, 2005, $67,565,000 of the bonds were advanced refunded with proceeds from the 2005 General Obligation Refunding Bonds. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was $5,024,505 and unamortized premium was $825,234.

2003 General Obligation Bonds, Series B

On December 5, 2003, the District issued the $26,999,352 aggregate original principal amount of 2003 General Obligation Bonds, Series B. The bonds issued included $24,020,000 of current interest bonds and $2,979,352 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of $15,040,000. The bonds mature through August 1, 2028, with interest yields ranging from 2.00 to 5.54 percent.

As a result of the issuance of the 2012 General Obligation Refunding Bonds, a partial funding of $21,985,000 was affected for these bonds. As of June 30, 2017, the principal balance outstanding (including accreted interest to date) was $7,130,033.

2002 General Obligation Bonds, Series 2006 C

On May 10, 2006, the District issued $13,000,000 of the 2002 General Obligation Bonds, Series 2006 C. The District has previously issued general obligation bonds under the same authorization in the amount of $91,999,603 and $26,999,352 for the 2002 Series A and 2003 Series B General Obligation Bonds. The current issuance represents the final portion of the $132,000,000 general obligation bonds authorized on March 5, 2002. The bonds mature through August 1, 2022, with interest yields ranging from 4.00 to 5.25 percent. The proceeds from the sales of the bonds were used to finance school construction and improvements to the school facilities.

As a result of the issuance of the 2015 General Obligation Refunding Bonds, a partial funding of $6,495,000 was affected for these bonds. As June 30, 2017, the 2002 General Obligation Bonds, Series 2006C have been fully defeased.

2012 General Obligation Refunding Bonds

On October 11, 2012, the District issued $21,225,000 of the 2012 General Obligation Refunding Bonds. The current interest bonds mature through August 1, 2027, with interest yields ranging from 2.50 to 5.00 percent. The bonds were issued at an aggregate price of $23,326,386 (representing the principal amount of $21,225,000 plus an original issue premium of $2,101,386 less cost of issuance of $331,957).

Proceeds from the bonds were be used to advance refund the District's outstanding 2003 General Obligation Bonds, Series B current interest bonds, with prepayment occurring August 1, 2013.

As of June 30, 2017, the principal balance outstanding was $17,865,000, and unamortized premium was $1,400,926.

2014 General Obligation Bonds, Series 2015

On May 7, 2015, the District issued $63,455,000 of the 2014 General Obligation Bonds, Series 2015. The bonds mature through August 1, 2040, with interest yields ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance school improvements, including prepayment on a current basis of lease payments associated with certain of the District's outstanding certificates of participations, and to pay costs of issuance. At June 30, 2017, the principal balance outstanding was $54,605,000 and unamortized premium was $2,669,981.

2015 General Obligation Refunding Bonds

On May 7, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of $57,455,000. The bonds were issued at an aggregate price of $66,977,743, (representing the principal amount of $57,455,000 plus an original issue premium of $9,522,743, less underwriter's discount of $179,850, and cost of issuance of $146,074). The bonds mature through August 1, 2025, and with an interest yield of 5.00 percent.

The bonds were issued to refund $58,320,000 of the outstanding 2005 General Obligation Refunding Bonds and $6,495,000 of the outstanding 2002 General Obligation Bonds, Series 2006C. As of June 30, 2017, the principal balance of $53,005,000 remained outstanding and unamortized premium and deferred charge on refunding were $7,459,483 and $1,438,842, respectively.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2041 as follows:

Fiscal Year June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	$ 13,135,000	$ -	$ 5,270,369	$ 18,405,369
2019	5,965,000	-	4,792,869	10,757,869
2020	6,435,000	-	4,482,869	10,917,869
2021	6,905,000	-	4,149,369	11,054,369
2022	7,430,000	-	3,790,994	11,220,994
2023-2027	41,929,505	3,545,495	13,284,934	58,759,934
2028-2032	26,525,033	7,909,967	7,113,138	41,548,138
2033-2037	14,255,000	-	4,384,724	18,639,724
2038-2041	15,050,000	-	1,259,600	16,309,600
Total	$ 137,629,538	$ 11,455,462	$ 48,528,866	$ 197,613,866

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2016	Issued	Outstanding June 30, 2017
12/23/03	12/23/18	-	$ 5,000,000	$ 5,000,000	$ -	$ 5,000,000
1/11/17	9/1/41	3.00-5.00%	34,595,000	-	34,595,000	34,595,000
				$ 5,000,000	$ 34,595,000	$ 39,595,000

2003 Qualified Zone Academy Bond Certificates of Participation

On December 23, 2003, the District issued $5,000,000 of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 23, 2018. The District received net proceeds of $4,941,850 (after payment of $58,150 in underwriter fees, insurance, and other issuance costs). At June 30, 2017, the principal balance outstanding was $5,000,000.

2017 Certificates of Participation

On January 11, 2017, the District issued certificates of participation in the amount $34,595,000. The certificates of participation were issued to finance the costs of acquiring, constructing, installing and equipping certain improvements to the sites and facilities owned by the District and to pay cost of issuance. The interest rate ranges from 3.00 to 5.00 percent, and the certificates of participation mature through September 1, 2041. At June 30, 2017, the principal balance outstanding was $34,595,000 and unamortized premium was $1,904,933.

Debt Service Requirements to Maturity

The certificates of participation mature through 2042 as follows:

Fiscal Year June 30,	Principal	Current Interest to Maturity	Total
2018	$ 990,000	$ 1,448,196	$ 2,438,196
2019	5,545,000	1,308,056	6,853,056
2020	660,000	1,280,656	1,940,656
2021	795,000	1,244,281	2,039,281
2022	935,000	1,201,031	2,136,031
2023-2027	7,280,000	5,073,281	12,353,281
2028-2032	12,865,000	2,906,391	15,771,391
2033-2037	6,780,000	1,274,831	8,054,831
2038-2042	3,745,000	350,963	4,095,963
Total	$ 39,595,000	$ 16,087,686	$ 55,682,686

Property and Liability

The District has a property and liability program balance of $292,000 at June 30, 2017.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $1,765,858.

Capital Lease

The District has entered into an agreement to lease vehicles. Such agreement is, in substance, purchases (capital leases) and is reported as capital lease obligation. The District's liability on the lease agreement with option to purchase is summarized below:

	Buses
Balance, July 1, 2016	$ 330,984
Additions	1,197,299
Payments	(1,082,746)
Balance, June 30, 2017	$ 445,537

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	$ 102,476
2019	102,476
2020	102,476
2021	19,730
2022	19,730
2023-2027	98,649
Total	445,537
Less: Amount Representing Interest	36,900
Present Value of Minimum Lease Payments	$ 408,637

Supplemental Early Retirement Plan (SERP)

During the 2014-2015, 2015-2016, 2016-2017 fiscal years, the District adopted supplemental early retirement plans whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The criteria for participation are as follows; full-time certificated and classified employees of the District, at least 55 years of age by the date of retirement, with at least five years of continuous service with the District by date of retirement. The annuities offered to the employees are to be paid over a five-year period.

Future annuity payments are as follows:

Year Ending June 30,	Amount
2018	$ 2,996,468
2019	2,996,468
2020	2,996,468
2021	1,453,394
2022	1,453,394
Total	$ 11,896,192

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $7,913,344, and contributions made by the District during the year were $1,938,287. Interest on the net OPEB obligation and adjustments to the annual required contribution were $993,622 and $(1,436,532), respectively, which resulted in an increase to the net OPEB obligation of $5,532,147. As of June 30, 2017, the net OPEB obligation was $30,372,707. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 155,000	$ -	$ -	$ -	$ -	$ 155,000
Stores inventories	664,430	-	-	-	246,081	910,511
Total Nonspendable	819,430	-	-	-	246,081	1,065,511
Restricted						
Legally restricted programs	11,882,812	-	-	-	-	11,882,812
Nutrition services	-	-	-	-	8,639,547	8,639,547
Capital projects	-	31,277,280	22,181,632	30,117,996	141,692	83,718,600
Debt services	-	-	4,234,797	-	16,953,191	21,187,988
Total Restricted	11,882,812	31,277,280	26,416,429	30,117,996	25,734,430	125,428,947
Assigned						
Technology refresh program	48,894	-	-	-	-	48,894
MAA reserve	240,000	-	-	-	-	240,000
School site carryover	423,059	-	-	-	-	423,059
LCFF/EIA carryover	1,280,155	-	-	-	-	1,280,155
ROP adult education funding	2,200,000	-	-	-	-	2,200,000
CTE offset	4,934,461	-	-	-	-	4,934,461
One-time mandated cost reimbursement	15,341,834	-	-	-	-	15,341,834
Deferred maintenance	3,647,022	-	-	-	-	3,647,022
Capital projects	-	-	-	24,052	-	24,052
Total Assigned	28,115,425	-	-	24,052	-	28,139,477
Unassigned						
Reserve for economic uncertainties	10,788,446	-	-	-	-	10,788,446
Remaining unassigned	22,058,614	-	-	-	-	22,058,614
Total Unassigned	32,847,060	-	-	-	-	32,847,060
Total	$ 73,664,727	$ 31,277,280	$ 26,416,429	$ 30,142,048	$ 25,980,511	$ 187,480,995

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Anaheim Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan also provides vision benefits for six retirees and their spouses. Membership of the Plan consists of 342 retirees and beneficiaries currently receiving benefits, and 2,521 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Anaheim Secondary Teachers Association (ASTA), the local California School Employees Association (CSEA), Anaheim Personnel and Guidance Association (APGA), American Federal of State, County and Municipal Employees (AFSCME), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. No additional amount to prefund benefits has been determined through the agreements between the District, ASTA, CSEA, APGA, AFSCME, and the unrepresented groups. For fiscal year 2016-2017, the District contributed $1,938,287 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 7,913,344
Interest on net OPEB obligation	993,622
Adjustment to annual required contribution	(1,436,532)
Annual OPEB cost (expense)	7,470,434
Contributions made	(1,938,287)
Increase in net OPEB obligation	5,532,147
Net OPEB obligation, beginning of year	24,840,560
Net OPEB obligation, end of year	$ 30,372,707

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 5,782,440	$ 1,952,758	34%	$ 21,378,344
2016	5,714,157	2,251,941	39%	24,840,560
2017	7,470,434	1,938,287	26%	30,372,707

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	$ -	$ 97,428,197	$ 97,428,197	0%	$ 208,456,403	47%

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, investment returns, 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. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The actuarial assumptions included a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefits payments. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar open period method. The remaining amortization period at June 30, 2017, was 21 years.

NOTE 12 - RISK MANAGEMENT - CLAIMS

Description

The Anaheim Union High School District's risk management activities are recorded in the General Fund and in the Health and Welfare and the Workers' Compensation Self-Insurance Funds. The purpose of the Self-Insurance Funds is to administer retiree and employee medical, dental, vision, and workers' compensation programs of the Anaheim Union High School District on a cost-reimbursement basis. These funds account for the risk financing activities of the Anaheim Union High School District, but do not constitute a transfer of risk for the Anaheim Union High School District. As of 1997-1998, the District has purchased an insurance policy for workers' compensation and is fully insured. Unpaid claims liability relate to the period prior to 1997-1998.

The District participates in the Southern California Regional Liability Excess Fund for property and liability coverage. Refer to Note 15 for additional information regarding the JPA's.

Claims Liabilities

Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 2015	$ 432,436	$ 3,575,271	$ 4,007,707
Claims and changes in estimates	4,799	25,027,332	25,032,131
Claims payments	(59,033)	(24,962,272)	(25,021,305)
Liability Balance, June 30, 2016	378,202	3,640,331	4,018,533
Claims and changes in estimates	103,877	26,062,874	26,166,751
Claims payments	(70,313)	(25,922,798)	(25,993,111)
Liability Balance, June 30, 2017	$ 411,766	$ 3,780,407	$ 4,192,173
Assets available to pay claims at June 30, 2017	$ 1,071,847	$ 15,971,752	$ 17,043,599

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 233,962,152	$ 40,951,533	$ 19,391,131	$ 22,328,710
CalPERS	97,336,612	27,698,723	3,806,246	12,355,927
Total	$ 331,298,764	$ 68,650,256	$ 23,197,377	$ 34,684,637

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions for funding, but not accounting purposes, and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $18,463,136.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 233,962,152
State's proportionate share of the net pension liability associated with the District	133,190,479
Total	$ 367,152,631

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.2893 percent and 0.3109 percent, resulting in a net decrease in the proportionate share of 0.0216 percent.

For the year ended June 30, 2017, the District recognized pension expense of $22,328,710. In addition, the District recognized pension expense and revenue of $12,874,262 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 18,463,136	$ -
Net change in proportionate share of net pension liability	3,888,520	13,683,891
Difference between projected and actual earnings on pension plan investments	18,599,877	-
Differences between expected and actual experience in the measurement of the total pension liability	-	5,707,240
Total	$ 40,951,533	$ 19,391,131

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 405,788
2019	405,788
2020	10,812,172
2021	6,976,129
Total	$ 18,599,877

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (2,544,548)
2019	(2,544,548)
2020	(2,544,548)
2021	(2,544,548)
2022	(2,544,547)
Thereafter	(2,779,872)
Total	$ (15,502,611)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 336,724,301
Current discount rate (7.60%)	233,962,152
1% increase (8.60%)	148,613,883

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $8,408,804.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $97,336,612. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.4928 percent and 0.4998 percent, resulting in a net decrease in the proportionate share of 0.0070 percent.

For the year ended June 30, 2017, the District recognized pension expense of $12,355,927. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,408,804	$ -
Net change in proportionate share of net pension liability	-	881,861
Difference between projected and actual earnings on pension plan investments	15,103,512	-
Differences between expected and actual experience in the measurement of the total pension liability	4,186,407	-
Changes of assumptions	-	2,924,385
Total	$ 27,698,723	$ 3,806,246

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 2,118,468
2019	2,118,468
2020	6,924,692
2021	3,941,884
Total	$ 15,103,512

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 76,727
2019	92,493
2020	210,941
Total	$ 380,161

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 145,226,767
Current discount rate (7.65%)	97,336,612
1% increase (8.65%)	57,458,634

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $12,243,090 (8.6 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Various Classroom Repairs - Painting	$ 126,000	July 2017
Various Classroom Repairs - Polished Concrete	124,000	July 2017
Various Classroom Repairs - Abatement	167,000	July 2017
South Junion High School Backflow	62,900	August 2017
Katella High School DROPS Site Improvement	782,234	September 2017
Cypress High School Improvement	238,000	December 2018
	$ 1,500,134	

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

NOTE 15 - PARTICIPATION IN JOINT POWERS AGENCIES AND PUBLIC ENTITY RISK POOLS

The District is a member of the North Orange County Regional Occupational Program (NOCROP) and the Southern California Regional Liability Excess Fund (SCRLEF) public entity risk pools. The District pays an annual premium to each entity for its health and property/liability coverage, and education services. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the governing board of NOCROP and SCRLEF.

During the year-ended June 30, 2017, the District made payments of $7,320,649 and $1,406,667 to NOCROP and SCRLEF, respectively, for services rendered and pass-through funds.

NOTE 16 - SUBSEQUENT EVENTS

Supplemental Early Retirement Plan (SERP)

In July 2017, the District adopted supplemental early retirement plans whereby certain eligible certificated employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The cost to the District for the SERP will be $622,755 payable over a period of five years in equal installments.

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR-ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 300,730,436	$ 300,736,400	$ 300,736,401	$ 1
Federal sources	19,789,163	19,446,958	17,908,611	(1,538,347)
Other State sources	45,363,709	59,801,712	59,464,671	(337,041)
Other local sources	5,465,967	8,237,912	7,931,958	(305,954)
Total Revenues [1]	371,349,275	388,222,982	386,041,641	(2,181,341)
EXPENDITURES				
Current				
Certificated salaries	154,816,070	151,527,220	151,343,640	183,580
Classified salaries	55,528,398	56,093,630	55,710,831	382,799
Employee benefits	85,009,186	97,702,176	97,271,762	430,414
Books and supplies	18,880,516	11,853,402	10,710,163	1,143,239
Services and operating expenditures	23,927,424	32,629,494	25,044,542	7,584,952
Capital Outlay	10,084,426	5,517,769	5,022,229	495,540
Other outgo	14,396,117	6,657,894	13,009,330	(6,351,436)
Total Expenditures [1]	362,642,137	361,981,585	358,112,497	3,869,088
Excess of Revenues Over Expenditures	8,707,138	26,241,397	27,929,144	1,687,747
OTHER FINANCING SOURCES (USES)				
Other sources - proceeds from a capital lease	-	1,172,232	1,172,232	-
Transfers out	(1,500,000)	(1,500,000)	-	1,500,000
Net Financing Sources (Uses)	(1,500,000)	(327,768)	1,172,232	1,500,000
NET CHANGE IN FUND BALANCE	7,207,138	25,913,629	29,101,376	3,187,747
Fund Balance - Beginning	44,563,351	44,563,351	44,563,351	-
Fund Balance - Ending	$ 51,770,489	$ 70,476,980	$ 73,664,727	$ 3,187,747

[1] On behalf payments of $12,243,090 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts.

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR-ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2012	$ -	$ 53,818,551	$ 53,818,551	0%	$ 188,710,167	29%
July 1, 2014	-	57,636,453	57,636,453	0%	204,621,490	28%
July 1, 2016	-	97,428,197	97,428,197	0%	208,456,403	47%

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR-ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.2893%	0.3109%	0.3034%
District's proportionate share of the net pension liability	$ 233,962,152	$ 209,282,863	$ 177,288,550
State's proportionate share of the net pension liability associated with the District	133,190,479	110,687,564	107,054,481
Total	$ 367,152,631	$ 319,970,427	$ 284,343,031
District's covered - employee payroll	$ 155,056,682	$ 140,928,288	$ 136,384,781
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	150.89%	148.50%	129.99%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.4928%	0.4998%	0.5010%
District's proportionate share of the net pension liability	$ 97,336,612	$ 73,663,959	$ 56,879,614
District's covered - employee payroll	$ 60,359,787	$ 54,558,219	$ 52,325,387
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	161.26%	135.02%	108.70%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR-ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 18,463,136	$ 16,637,582	$ 12,514,432
Contributions in relation to the contractually required contribution	18,463,136	16,637,582	12,514,432
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 146,765,787	$ 155,056,682	$ 140,928,288
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 8,408,804	$ 7,150,824	$ 6,422,048
Contributions in relation to the contractually required contribution	8,408,804	7,150,824	6,422,048
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 60,547,264	$ 60,359,787	$ 54,558,219
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

Schedule of the District's Proportionate Share of the Net Pension Liability

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

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR-ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 8,340,316
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	179,920
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	890,286
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	399,565
Title III, English Learner Student Program	84.365	14346	787,004
Title III, Immigrant Education Program	84.365	15146	60,439
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	607,554
Passed through Greater Anaheim SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,395,492
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	9,228
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	343,900
Total Special Education (IDEA) Cluster			5,748,620
Passed through California Department of Rehabilitation:			
State Vocational Rehabilitation Service Program	84.126A	30103	39,429
Total U.S. Department of Education			17,053,133
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	14,216,447
Especially Needy Breakfast	10.553	13526	3,764,909
Meal Supplements	10.556	13392	481,587
Summer Lunch Program	10.559	13004	47,025
Food Distribution	10.555	13396	1,805,948
Total Chil Nutrition Cluster			20,315,916
Total U.S. Department of Agriculture			20,315,916

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR-ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health and Human Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	$ 1,017,224
Passed through Orange County Office of Education (OCDE):			
Medi-Cal Administrative Activities	93.778	10060	175,743
Total Medi-Cal Assistance Program			1,192,967
Total U.S. Department of Health and Human Services			1,192,967
NATIONAL SCIENCE FOUNDATION			
Passed through California State University Fullerton Auxiliary Services Corporation			
Science, Technology and Engineering Mini-Business Incubator (STEM-Inc)	47.076	S-5800-AUHSD	64,651
U.S. DEPARTMENT OF DEFENSE			
Passed through the OCDE:			
Junior Reserve Officers Training Corps - Army	12.000	[1]	386,021
Junior Reserve Officers Training Corps - Navy	12.000	JROTC153S	92,239
Total U.S. Department of Defense			478,260
Total Expenditures of Federal Awards			$ 39,104,927

[1] - PCA number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Anaheim Union High School District was established in 1898, and consists of an area comprising approximately 46 square miles. The District operates eight high schools, one continuation high school, eight junior high schools, one 7-12 academy, one special education facility, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Anna L Piercy	President	2018
Katherine H. Smith	Clerk	2020
Al Jabbar	Assistant Clerk	2018
Brian O'Neal	Member	2020
Annemarie Randle-Trejo	Member	2018

ADMINISTRATION

Michael B. Matsuda	Superintendent
Jennifer Root	Assistant Superintendent, Business Services
Jaron Fried	Assistant Superintendent, Educational Services
Brad Jackson	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR-ENDED JUNE 30, 2017

	Final Report	
	Second Period Report C6A8654C	Annual Report 027B687B
Regular ADA		
Seventh and eighth	9,695.56	9,683.99
Ninth through twelfth	19,731.81	19,621.47
Total Regular ADA	29,427.37	29,305.46
Extended Year Special Education		
Seventh and eighth	13.94	13.94
Ninth through twelfth	34.63	34.63
Total Extended Year Special Education	48.57	48.57
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	3.80	3.83
Ninth through twelfth	18.91	20.72
Total Special Education, Nonpublic, Nonsectarian Schools	22.71	24.55
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.30	0.30
Ninth through twelfth	2.57	2.57
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.87	2.87
Total ADA	29,501.52	29,381.45

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR-ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,560	180	-	Complied
Grade 8		61,560	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,184	180	-	Complied
Grade 10		65,184	180	-	Complied
Grade 11		65,184	180	-	Complied
Grade 12		65,184	180	-	Complied

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR-ENDED JUNE 30, 2017

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR-ENDED JUNE 30, 2017

	(Budget) 2018[1]	2017	2016	2015
GENERAL FUND[4]				
Revenues	$ 372,423,469	$ 386,025,103	$ 367,552,364	$ 327,517,298
Other sources and transfers in	-	1,172,232	393,372	-
Total Revenues and Other Sources	372,423,469	387,197,335	367,945,736	327,517,298
Expenditures	(365,893,489)	(358,111,371)	(349,192,777)	(332,283,416)
Other uses and transfers out	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Total Expenditures and Other Uses	(367,393,489)	(359,611,371)	(350,692,777)	(333,783,416)
INCREASE (DECREASE) IN FUND BALANCE	$ 5,029,980	$ 27,585,964	$ 17,252,959	$ (6,266,118)
ENDING FUND BALANCE	$ 75,047,685	$ 70,017,705	$ 42,431,741	$ 25,178,782
AVAILABLE RESERVES[2]	$ 36,939,815	$ 32,847,060	$ 13,667,566	$ 11,274,016
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	10.05%	9.13%	3.90%	3.30%
LONG-TERM OBLIGATIONS	N/A	$ 236,220,489	$ 203,163,195	$ 217,514,748
K-12 AVERAGE DAILY ATTENDANCE AT P-2[4]	29,436	29,502	29,776	30,047

The General Fund balance has increased by $44,838,923 over the past two years. The fiscal year 2017-2018 budget projects a further increase of $5,029,980 (7.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have increased by $18,705,741 over the past two years.

Average daily attendance has decreased by 545 over the past two years. An additional decline of 66 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $7,525,689 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015. The District recorded on behalf payments in its final budget and actual revenue and expenditure for the fiscal years ending June 30, 2017 and 2016.

[4] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Cafeteria Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ 7,010,183	$ 172,029	$ 16,953,191	$ 24,135,403
Receivables	2,977,945	149	-	2,978,094
Stores inventories	246,081	-	-	246,081
Total Assets	$ 10,234,209	$ 172,178	$ 16,953,191	$ 27,359,578
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 417,503	$ 30,486	$ -	$ 447,989
Due to other funds	908,649	-	-	908,649
Unearned revenue	22,429	-	-	22,429
Total Liabilities	1,348,581	30,486	-	1,379,067
Fund Balances:				
Nonspendable	246,081	-	-	246,081
Restricted	8,639,547	141,692	16,953,191	25,734,430
Total Fund Balances	8,885,628	141,692	16,953,191	25,980,511
Total Liabilities and Fund Balances	$ 10,234,209	$ 172,178	$ 16,953,191	$ 27,359,578

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2017

	Cafeteria Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 20,315,916	$ -	$ -	$ 20,315,916
Other State sources	1,414,893	-	114,806	1,529,699
Other local sources	2,697,001	2,201	17,971,057	20,670,259
Total Revenues	24,427,810	2,201	18,085,863	42,515,874
EXPENDITURES				
Current				
Pupil services:				
Food services	23,602,979	-	-	23,602,979
Plant services	308,905	-	-	308,905
Facility acquisition and construction	82,501	213,170	-	295,671
Debt service				
Principal	-	-	14,140,000	14,140,000
Interest and other	-	-	5,952,244	5,952,244
Total Expenditures	23,994,385	213,170	20,092,244	44,299,799
NET CHANGE IN FUND BALANCES	433,425	(210,969)	(2,006,381)	(1,783,925)
Fund Balances - Beginning	8,452,203	352,661	18,959,572	27,764,436
Fund Balances - Ending	$ 8,885,628	$ 141,692	$ 16,953,191	$ 25,980,511

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 38,224,527
Medi-Cal Billing Option	93.778	880,400
Total Schedule of Expenditures of Federal Awards		$ 39,104,927

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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*

Governing Board
Anaheim Union High School District
Anaheim, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anaheim Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Anaheim Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Anaheim Union High School District in a separate letter dated December 15, 2017.

Purpose of This Report

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Anaheim Union High School District
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Anaheim Union High School District's major Federal programs for the year ended June 30, 2017. Anaheim Union High 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaheim Union High 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Anaheim Union High 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 Anaheim Union High School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Anaheim Union High 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, 2017.

Report on Internal Control Over Compliance

Management of Anaheim Union High 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 Anaheim Union High 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 the Uniform Guidance, 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 Anaheim Union High 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Anaheim Union High School District
Anaheim, California

Report on State Compliance

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Anaheim Union High School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Anaheim Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Anaheim Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Anaheim Union High School District's compliance with those requirements.

Basis for Qualified Opinion on the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Anaheim Union High School District did not comply with requirements regarding the After School Education and Safety Program as identified as item 2017-001. Compliance with such requirements is necessary, in our opinion, for Anaheim Union High School District to comply with the requirements applicable to that program.

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Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Anaheim Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

In our opinion, Anaheim Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District is a high school district and does not offer kindergarten classes; therefore, we did not perform procedures related to kindergarten continuance.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a Middle or Early College High School Program; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District is a high school district and does not offer K-3 classes; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANAHEIM UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR-ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A	Special Education (IDEA) Cluster
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,173,148
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

Name of Programs
After School Education and Safety Program

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2017

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2017

The following findings represent instances of noncompliance relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2017-001 40000

Criteria or Specific Requirements

California *Education Code* Section 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Dale Junior High School's monthly summary total for the month of November 2016 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Dale Junior High School's attendance rosters had a total of 616 students served whereas the total of the monthly summary were 996 students served, resulting in 380 exceptions. Exceptions consisted of 380 students who were released before 6 p.m., but did not have the early release reason documented on the rosters.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for the site tested, there were 380 out of 996 students served during the month of November 2016 for which the attendance rosters did not conform to the District's early release policy.

Context

The condition identified resulted from our review of Dale Junior High School’s attendance records and monthly attendance summary totals for the month of November 2016. The auditor selected one of six schools for the first semi-annual reporting period dated July to December 2016. The auditor noted that for the month of November 2016, Dale Junior High School did not have early release reason documented on the rosters for students that were being released before 6 p.m. on a daily basis.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2016-2017 fiscal year for Dale Junior High School because the report submitted to the State reflects inaccurate attendance information.

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the sites deducted those students who were not in compliance with the established early release policy. The sites did not have an early release reason documented on the rosters for those students who were released early from the ASES program.

Recommendation

The District should inform the sites regarding their early release policy, including the importance of having an early release reason documented on the rosters for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan

The District and YMCA staff have implemented the following actions to ensure compliance in the future:

- Implementation of revised Early Release Policy
- Training for all Anaheim Achieves Program staff regarding the importance of accurate attendance records, including the maintenance of Early Release forms for all instances of dismissal before the end of the program.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR-ENDED JUNE 30, 2017

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2016-001 40000

Criteria or Specific Requirements

The *California Education Code* Section 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Brookhurst Junior High School's monthly summary total for the month of August 2015 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Brookhurst Junior High School's attendance rosters had a total of 1,053 students served whereas the total of the monthly summary is 1,236 students served, resulting in 183 exceptions. Exceptions consisted of 183 students who were released before 6 p.m. on a daily basis, but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for one of the sites tested, there were 183 out of 1,236 students served during the month of August 2015 for which the attendance rosters did not conform to the District's early release policy.

Context

The condition identified resulted from our review of Brookhurst Junior High School's attendance records and monthly attendance summary totals for the month of August 2015. The auditor selected one of six schools for the first semi-annual reporting period dated July to December 2015. The auditor noted that for the month of August 2015, Brookhurst Junior High School did not have early release forms for students that were being released before 6 p.m. on a daily basis.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2015-2016 fiscal year for Brookhurst Junior High School because the report submitted to the State reflects inaccurate students served attendance information.

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure that the sites deduct those students who are not in compliance with the established early release policy. The sites did not have early release reason documented on the rosters for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the sites regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers for students served per school site in order to verify that accurate information is being sent to the State for reporting.

Current Status

Not implemented, refer to finding 2017-001.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

Governing Board
Anaheim Union High School District
Anaheim, California

In planning and performing our audit of the financial statements of Anaheim Union High School District (the District) for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2017, on the government-wide financial statements of the District.

PROPERTY AND LIABILITY ACTUARIAL STUDY

Observation

The District did not obtain an actual study for its self-insurance property and liability; therefore, the District was unable to make an adjustment to its claims liability related to property and liability.

Recommendation

The District should ensure it obtains the property and liability actuarial study in a timely basis. It is imperative that the District obtains the actuarial study prior to year-end closing to ensure appropriate adjustments to the claims liability are made.

INTERNAL CONTROLS

Local Revenue

Observation

Per review of the supporting documents pertaining to the District's local revenues, it was noted that 18 of 89 deposits tested were not deposited in a timely manner. Based on our review of sample transmittals selected for testing, it appears that delay in deposits ranged from 11 to 64 days. Delay in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should, at a minimum, make their deposits once a week to minimize the amount of cash on hand. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should try and make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

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Observation

Cash collections that occur at the site level remitted to the District Office are not receipted at the time funds are collected. The clerk will complete a triplicate receipt on the date the clerk is ready to process the deposit batch.

Recommendation

The site is already utilizing a triplicate receipt book, but should alter the procedures to ensure that receipts are issued at the time funds are received. The original copy of the receipt should be given to the payee at the time the payment is made. This process will ensure that all deposits are made intact, timely, and sequentially.

Observation

Cash collections at certain school sites and departments are not accounted for properly. Cash collections are not supported by sub-receipts that tie the total to the cash count sheet. 33 of 89 deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. The original copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes.

ASSOCIATED STUDENT BODY (ASB)

Observation

During our review of the financial statements, it was noted that six sites had multiple trust accounts with negative balances.

Recommendation

The ASB has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The ASB should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

Dale Junior High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that 16 of 26 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 10 to 35 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Two of 26 deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
3. The deposit counts are not conducted by two individuals simultaneously. Not having a second person present creates an opportunity for cash to be misappropriated.
4. Based on the review of the disbursement procedures it was noted that nine of nine disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. It is recommended that the ASB revise their deposit count procedures to have two people perform the count together and both sign-off on the cash count sheet to deter misappropriation of cash.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Walker Junior High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Six of 10 deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
2. The deposit counts are not conducted by two individuals simultaneously. Not having a second person present an opportunity for cash to be misappropriated.
3. Based on the review of the cash receipting procedures, it was noted that one of 10 deposits tested was related to charges for instructional materials. The ASB was collecting fees for band textbooks.
4. Based on the review of the disbursement procedures it was noted that nine of 12 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. It is recommended that the ASB revise their deposit count procedures to have two people perform the count together and both sign-off on the cash count sheet to deter misappropriation of cash.
3. Per *Education Code* 60070, school districts are not allowed to collect fees for instructional materials and textbooks.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Cypress High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the disbursement procedures it was noted that two of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Revenue potential forms do not provide a section to include actual revenues and expenditures activity of a fundraiser. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
3. Perpetual inventory of P.E. clothes is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. The ASB should revise their existing form to include a section for clubs to input the actual results of the fundraising activity and compute the difference between projected and actual. This will allow the ASB to adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact.
3. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Kennedy High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Three of 12 deposit counts were not conducted by two individuals simultaneously. Not having a second person present creates an opportunity for cash to be misappropriated.
2. Based on the review of the disbursement procedures it was noted that one of 25 disbursements tested was not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Three out of three revenue potentials tested were incomplete. Revenue potential forms tested did not have an explanation for the difference between projected and actual results of the fund raising activity.
4. A physical inventory is not performed for P.E. clothes. In addition, a perpetual inventory is not maintained.
5. During our review of the financial statements, it was noted that the ASB had 12 trust accounts with negative balances.

Recommendations

1. It is recommended that the ASB revise their deposit count procedures to have two people perform the count together and both sign-off on the cash count sheet to deter misappropriation of cash.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All revenue potentials must be completely filled out at the end of each fundraiser. The revenue potentials form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
4. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

5. The ASB bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The site should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

We will review the status of the current year comments during our next audit engagement.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017