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ANNUAL FINANCIAL REPORT

JUNE 30, 2018

ANAHEIM UNION HIGH SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

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

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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, 2018, 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 *2017-2018 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 non-major 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 11, 2018, 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 11, 2018

This section of Anaheim Union High School District's (the District) June 30, 2018, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ended June 30, 2017. 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 $(105,712,121) for the fiscal year-ended June 30, 2018. Of this amount, $(346,595,668) 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	
	2018	(as restated) 2017
Assets		
Current and other assets	$ 319,367,517	$ 224,557,423
Capital assets	295,541,449	286,042,508
Total Assets	**614,908,966**	**510,599,931**
Deferred Outflows of Resources	**105,834,262**	**70,089,098**
Liabilities		
Current liabilities	33,272,109	27,083,624
Long-term obligations	390,074,307	313,967,203
Aggregate net pension liability	366,155,766	331,298,764
Total Liabilities	**789,502,182**	**672,349,591**
Deferred Inflows of Resources	**36,953,167**	**23,197,377**
Net Position		
Net investment in capital assets	165,530,071	163,948,477
Restricted	75,353,476	74,026,475
Unrestricted (deficit)	(346,595,668)	(352,832,891)
Total Net Position	**$ (105,712,121)**	**$ (114,857,939)**

The increase in total assets is mainly due to the proceeds from the issuance of Measure H Bonds. 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 Measure H Bonds. 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	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 3,548,188	$ 3,480,566
Operating grants and contributions	79,067,473	87,618,244
Capital grants and contributions	1,083	2,202
General revenues:		
Federal and State aid not restricted	218,915,930	229,739,195
Property taxes	108,485,035	105,837,011
Other general revenues	11,753,679	10,586,015
Total Revenues	**421,771,388**	**437,263,233**
Expenses		
Instruction	270,442,862	273,538,377
Pupil services	57,707,197	56,464,014
Administration	18,407,530	20,063,632
Plant services	39,639,233	38,494,814
Other	26,428,748	25,347,232
Total Expenses	**412,625,570**	**413,908,069**
Change in Net Position	**$ 9,145,818**	**$ 23,355,164**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $412,625,570. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $108,485,035 because the cost was paid by those who benefited from the programs $(3,548,188) or by other governments and organizations who subsidized certain programs with grants and contributions $(79,068,556). We paid for the remaining "public benefit" portion of our governmental activities with $230,669,609 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: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. 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	
	2018	2017	2018	2017
Instruction	$ 270,442,862	$ 273,538,377	$ 221,341,343	$ 220,894,165
Pupil services	57,707,197	56,464,014	28,627,891	28,835,008
Administration	18,407,530	20,063,632	17,518,103	14,115,813
Plant services	39,639,233	38,494,814	39,203,960	38,050,249
Other	26,428,748	25,347,232	23,317,529	20,911,822
Total	**$ 412,625,570**	**$ 413,908,069**	**$ 330,008,826**	**$ 322,807,057**

The main reasons for the year-to-year changes in total cost of services are due to a decrease in general administration expenditures, a decrease in instructional expenditures, and an increase in operating expenditures.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $272,605,498, which is an increase of $85,124,503 from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2017	Revenues and Other Financing Sources	Expenditures and Othe Financing Uses	June 30, 2018
General Fund	$ 73,664,727	$ 379,505,250	$ 357,402,702	$ 95,767,275
Building Fund	31,277,280	83,617,499	17,099,416	97,795,363
Special Reserve Fund for Capital Outlay Projects	30,142,048	2,908,769	2,807,196	30,243,621
Cafeteria Fund	8,885,628	24,501,616	24,556,731	8,830,513
Capital Facilities Fund	26,416,429	4,596,964	3,965,951	27,047,442
County School Facilities Fund	141,692	1,082	142,569	205
Bond Interest and Redemption Fund	16,953,191	14,373,257	18,405,369	12,921,079
Total	**$ 187,480,995**	**$ 509,504,437**	**$ 424,379,934**	**$ 272,605,498**

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The actual fund balance during the 2017-2018 fiscal year increased approximately $22.1 million primarily due to an increase in LCFF revenues, a decrease in certificated and classified salaries, an increase in the proceeds from capital leases, a decrease in capital outlay, a decrease in receivables, and a decrease in other operating expenditures.

2. The Building Fund increase of $66.5 million is primarily attributed to the issuance of Measure H Bonds.

3. Our Capital Facilities Fund revenue was $4.6 million and expenditures were $4.0 million for an increase in fund balance of $0.6 million. Expenditures include $1.2 million for projects at Anaheim High School, Kennedy High School, Dale Jr. High School, Cypress High School, and Oxford Academy.

4. Our Special Reserve fund for Capital Outlay Projects increased $101,000 due to interest earned on the funds held by the county treasurer. Expenditures of $2.8 million were mainly attributed to debt service payments recorded in the Special Reserve fund which is offset by a transfer of funds from the Capital Facilities fund.

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 2018. (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 75.

1. General Fund final budgeted ending fund balance increased by approximately $13.7 million over the original projection. A total of $13.2 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 the end of this year, the District had $295,541,449 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 $9,498,941, or 3.3 percent, from last year.

Table 5

	Governmental Activities	
	2018	2017
Land and construction in process	$ 40,668,286	$ 26,226,332
Buildings and improvements	241,944,886	249,332,228
Furniture and equipment	12,928,277	10,483,948
Total	**$ 295,541,449**	**$ 286,042,508**

This year's increase of $9.4 million is due primarily to the Measure H construction projects and 21st Century classroom furniture.

The District's major construction program has begun and will be on-going. Smaller, routine facilities projects are also 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 $390,074,307 in long-term obligations outstanding versus $313,967,203 last year, an increase of $76,107,104, or 24.2 percent. The long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds (financed with property taxes)	$ 208,275,371	$ 137,629,538
Premium on issuance	15,036,555	12,355,624
Certificates of participation	38,605,000	39,595,000
Premium on issuance	1,823,872	1,904,933
Net other postemployment benefits (OPEB) liability	111,258,050	108,119,421
Other	15,075,459	14,362,687
Total	**$ 390,074,307**	**$ 313,967,203**

The District's general obligation bond rating is "AAA." 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 $208,275,371 is significantly below the 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 the end of this year, the District had $366,155,766 in net pension liability versus $331,298,764 last year, an increase of $34,857,002, or 10.5 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

The District continued a $3.3 million project to provide an additional 147 classrooms with 21st Century classroom furniture.

The District issued $83 million in General Obligation Bonds (Measure H). The District used a competitive bid process and received a 3.54 percent interest rate. The sale occurred in April 2018.

The District purchased 26 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 2018-2019 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 3.0 percent statutory COLA, 3.7 percent for LCFF COLA.
2. Average Daily Attendance (ADA) was budgeted at a 235 decrease from prior year.
3. The GAP funding rate is fully funded at 100 percent.
4. The unduplicated enrollment count percentage used was 74.61 percent. The three year rolling average is 73.19 percent
5. State lottery was budgeted at $194 per ADA.
6. Grants include estimated carryover from 2017-2018, and are adjusted to actual after June 30, 2018.
7. Interest rate for Cash in County is budgeted at 1.08 percent.
8. Certificated negotiations for the 2018-2019 fiscal year are not complete.
9. Classified negotiations for the 2018-2019 fiscal year are not complete.
10. Health and welfare costs were budgeted for an overall increase due to estimated increase in premiums. Workers' Compensation was budgeted to increase by 5.7 percent due to premium increase.
11. 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, 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, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 308,702,729
Receivables	9,895,379
Stores inventories	769,409
Capital assets	
Land and construction in process	40,668,286
Other capital assets	417,716,712
Less: Accumulated depreciation	(162,843,549)
Total Capital Assets	295,541,449
Total Assets	614,908,966
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,255,160
Deferred outflows of resources related to pensions	104,579,102
Total Deferred Outflows of Resources	105,834,262
LIABILITIES	
Accounts payable	18,386,451
Accrued interest payable	3,306,209
Unearned revenue	5,159,006
Claims liability	6,420,443
Long-term obligations:	
Current portion of long-term obligations other than pensions	15,023,357
Noncurrent portion of long-term obligations other than pensions	375,050,950
Total Long-Term Obligations	390,074,307
Aggregate net pension liability	366,155,766
Total Liabilities	789,502,182
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	36,953,167
NET POSITION	
Net investment in capital assets	165,530,071
Restricted for:	
Debt service	14,274,627
Capital projects	22,387,890
Educational programs	13,234,004
Other activities	25,456,955
Unrestricted (deficit)	(346,595,668)
Total Net Position	$ (105,712,121)

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, 2018

		Program Revenues	
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 238,557,858	$ 1,293,532	$ 45,011,778
Instruction-related activities:			
Supervision of instruction	7,326,789	3,912	1,725,430
Instructional library, media, and technology	1,803,396	-	6,832
School site administration	22,754,819	16,107	1,042,845
Pupil services:			
Home-to-school transportation	7,489,198	8,088	83,661
Food services	25,388,508	2,110,070	21,759,035
All other pupil services	24,829,491	15,926	5,102,526
General administration:			
Data processing	5,634,795	-	-
All other general administration	12,772,735	120	889,307
Plant services	39,639,233	36,488	398,785
Ancillary services	6,304,413	126	913,187
Community services	681,841	-	101,655
Interest on long-term obligations	7,647,801	-	-
Other outgo	11,794,693	63,819	2,032,432
Total Governmental Activities	$ 412,625,570	$ 3,548,188	$ 79,067,473

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 (as restated)

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
$ 1,083	$ (192,251,465)
-	(5,597,447)
-	(1,796,564)
-	(21,695,867)
-	(7,397,449)
-	(1,519,403)
-	(19,711,039)
-	(5,634,795)
-	(11,883,308)
-	(39,203,960)
-	(5,391,100)
-	(580,186)
-	(7,647,801)
-	(9,698,442)
$ 1,083	(330,008,826)
	95,062,022
	10,271,365
	3,151,648
	218,915,930
	2,607,566
	9,146,113
	339,154,644
	9,145,818
	(114,857,939)
	$ (105,712,121)

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 103,069,936	$ 103,700,342	$ 30,222,693
Receivables	6,576,753	143,645	40,891
Due from other funds	928,594	1,318	-
Stores inventories	599,732	-	-
Total Assets	$ 111,175,015	$ 103,845,305	$ 30,263,584
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 10,350,171	$ 6,041,421	$ 19,963
Due to other funds	1,318	8,521	-
Unearned revenue	5,056,251	-	-
Total Liabilities	15,407,740	6,049,942	19,963
Fund Balances:			
Nonspendable	754,732	-	-
Restricted	13,234,004	97,795,363	30,219,570
Assigned	41,877,512	-	24,051
Unassigned	39,901,027	-	-
Total Fund Balances	95,767,275	97,795,363	30,243,621
Total Liabilities and Fund Balances	$ 111,175,015	$ 103,845,305	$ 30,263,584

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

Non-Major Governmental Funds	Total Governmental Funds
$ 47,369,124	$ 284,362,095
3,042,982	9,804,271
-	929,912
169,677	769,409
$ 50,581,783	$ 295,865,687
$ 759,716	$ 17,171,271
920,073	929,912
102,755	5,159,006
1,782,544	23,260,189
169,677	924,409
48,629,562	189,878,499
-	41,901,563
-	39,901,027
48,799,239	272,605,498
$ 50,581,783	$ 295,865,687

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 272,605,498**
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	$ 458,384,998	
Accumulated depreciation is the following	(162,843,549)	
Net Capital Assets		295,541,449
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is less) and are included with governmental activities.		1,255,160
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.		(3,306,209)
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:		16,796,119
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	29,177,771	
Net change in proportionate share of net pension liability	3,110,816	
Differences between projected and actual earnings on pension plan investments	3,898,320	
Differences between expected and actual experience in the measurement of the total pension liability	4,974,574	
Changes of assumptions	63,417,621	
Total Deferred Outflows of Resources Related to Pensions		104,579,102

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2018

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	$ (24,455,047)	
Differences between projected and actual earnings on pension plan investments	(6,750,487)	
Differences between expected and actual experience in the measurement of the total pension liability	(4,420,842)	
Changes of assumptions	(1,326,791)	
Total Deferred Inflows of Resources Related to Pensions		$ (36,953,167)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(366,155,766)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	200,528,955	
Premium on issuance, net of amortization	15,036,555	
Certificates of participation	38,605,000	
Premium on issuance, net of amortization	1,823,872	
Property and liability	378,000	
Compensated absences	2,012,442	
Capital lease	3,287,089	
Supplemental early retirement plan	9,397,928	
Net other postemployment benefits (OPEB) liability	111,258,050	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest on the general obligation bonds to date is:	7,746,416	
Total Long-Term Obligations		(390,074,307)
Total Net Position - Governmental Activities		**$ (105,712,121)**

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, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Local Control Funding Formula	$ 301,886,996	$ -	$ -
Federal sources	17,811,609	-	-
Other State sources	48,924,496	-	-
Other local sources	7,621,062	617,499	390,058
Total Revenues	376,244,163	617,499	390,058
EXPENDITURES			
Current			
Instruction	223,678,007	-	-
Instruction-related activities:			
Supervision of instruction	6,945,526	-	-
Instructional library, media, and technology	1,721,141	-	-
School site administration	20,906,319	-	-
Pupil services:			
Home-to-school transportation	10,200,432	-	-
Food services	88,505	-	-
All other pupil services	23,867,719	-	-
General administration:			
Data processing	5,374,950	-	-
All other general administration	11,714,052	-	-
Plant services	33,776,178	-	-
Ancillary services	6,067,211	-	-
Community services	648,523	-	-
Other outgo	11,794,693	-	-
Facility acquisition and construction	143,399	16,262,682	369,000
Debt service			
Principal	382,635	-	990,000
Interest and other	93,412	836,734	1,448,196
Total Expenditures	357,402,702	17,099,416	2,807,196
Excess (Deficiency) of Revenues Over Expenditures	18,841,461	(16,481,917)	(2,417,138)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	2,518,711
Other sources - proceeds from issuance of general obligation bonds	-	83,000,000	-
Other sources - premium on issuance of general obligation bonds			
Other sources - proceeds from a capital lease	3,261,087	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	3,261,087	83,000,000	2,518,711
NET CHANGE IN FUND BALANCES	22,102,548	66,518,083	101,573
Fund Balances - Beginning	73,664,727	31,277,280	30,142,048
Fund Balances - Ending	$ 95,767,275	$ 97,795,363	$ 30,243,621

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 301,886,996
20,477,435	38,289,044
1,519,709	50,444,205
17,462,893	26,091,512
39,460,037	416,711,757
-	223,678,007
-	6,945,526
-	1,721,141
-	20,906,319
-	10,200,432
23,949,336	24,037,841
-	23,867,719
-	5,374,950
76,632	11,790,684
315,921	34,092,099
-	6,067,211
-	648,523
-	11,794,693
1,804,651	18,579,732
13,135,000	14,507,635
5,270,369	7,648,711
44,551,909	421,861,223
(5,091,872)	(5,149,466)
-	2,518,711
-	83,000,000
4,012,882	4,012,882
-	3,261,087
(2,518,711)	(2,518,711)
1,494,171	90,273,969
(3,597,701)	85,124,503
52,396,940	187,480,995
$ 48,799,239	$ 272,605,498

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR- ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ 85,124,503**
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	$ 18,353,231	
Depreciation expense	(8,836,541)	9,516,690
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(17,749)
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.		(3,261,087)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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 less than the amounts earned by $246,584. Special termination benefits added was less than the amount paid by $2,498,264.		2,251,680
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.		(12,683,946)
The claims activity for property liability are reported in governmental funds (General Fund) as expenditures. In the Statement of Net Position, the property liabilities incurred but not claimed are reported as long-term obligations.		(86,000)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(3,138,629)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR-ENDED JUNE 30, 2018

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 general obligation bonds		$ (83,000,000)
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		(4,012,882)
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	$ 13,135,000	
Certificates of participation	990,000	
Capital lease obligations	382,635	14,507,635
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	1,413,012	
Amortization of deferred charges on refunding	(183,682)	1,229,330
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 $447,587, and second, $780,833 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and certificates of participation.		(1,228,420)
An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net increase of the Internal Service Fund is reported with governmental activities.		3,944,693
Change in Net Position of Governmental Activities		**$ 9,145,818**

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 24,340,634
Receivables	91,108
Total Current Assets	24,431,742
LIABILITIES	
Current Liabilities	
Accounts payable	1,215,180
Current portion of claims liability	6,072,953
Total Current Liabilities	7,288,133
Noncurrent Liabilities	
Claims liability	347,490
Total Liabilities	7,635,623
NET POSITION	
Restricted	16,796,119
Total Net Position	$ 16,796,119

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, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 53,354,474
OPERATING EXPENSES	
Professional and contract services	49,675,081
Operating Profit	3,679,393
NONOPERATING REVENUES	
Interest income	265,300
Change in Net Position	3,944,693
Total Net Position - Beginning	12,851,426
Total Net Position - Ending	$ 16,796,119

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, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 53,401,263
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(47,064,171)
Net Cash Provided in Operating Activities	6,337,092
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	199,144
Net Increase in Cash and Cash Equivalents	6,536,236
Cash and Cash Equivalents - Beginning	17,804,398
Cash and Cash Equivalents - Ending	$ 24,340,634
RECONCILIATION OF OPERATING PROFIT TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating profit	$ 3,679,393
Changes in assets and liabilities:	
Receivables	46,789
Accounts payable	382,640
Claims liability	2,228,270
NET CASH PROVIDED IN OPERATING ACTIVITIES	$ 6,337,092

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 2,449,609
Receivables	96,789
Stores inventories	5,951
Total Assets	$ 2,552,349
LIABILITIES	
Accounts payable	$ 22,863
Due to student groups	2,529,486
Total Liabilities	$ 2,552,349

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 2003 Qualified Zone Academy Bond Certificates of Participation and the 2017 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 $5,189,222, an increase of revenues and other financing sources of $44,299, and a decrease in expenditures and other financing uses of $1,497,901.

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.

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 used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. 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 financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et. seq.). 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).

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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), the 2016 State School Facilities Fund (Proposition 51) 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 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, 2018, 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, 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 $75,353,476.

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.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$	308,702,729
Fiduciary funds		2,449,609
Total Deposits and Investments	$	311,152,338

Deposits and investments as of June 30, 2018, consisted of the following:

Cash on hand and in banks	$	14,360,103
Cash in revolving		155,000
Investments		296,637,235
Total Deposits and Investments	$	311,152,338

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
Natixis Commercial Paper	$ 4,657,844	12/24/2018
First American Treasury Obligations	2,075	19
Orange County Treasury Investment Pool	291,977,316	302
Total	$ 296,637,235	

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 investment with the Orange County Treasury Investment Pool has been rated Aaa by Moody's Investor Service.

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, 2018, the District's bank balance of $16,946,631 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, 2018:

		Fair Value Measurements Using			
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized	Total
Natixis Commercial Paper	$ 4,657,844	$ -	$ 4,657,844	$ -	$ 4,657,844
First American Treasury Obligations	2,075	2,075	-	-	2,075
Orange County Treasury Investment Pool	291,977,316	-	-	291,977,316	291,977,316
Total	$ 296,637,235	$ 2,075	$ 4,657,844	$ 291,977,316	$ 296,637,235

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Federal Government				
Categorical aid	$ 2,208,051	$ -	$ -	$ 2,635,283
State Government				
Categorical aid	658,975	-	-	201,947
Lottery	1,238,412	-	-	-
Local Government				
Interest	322,740	143,645	40,891	56,609
Greater Anaheim SELPA	741,387	-	-	-
North Orange County ROP	2,729	-	-	-
Due from other LEAs	484,899	-	-	-
Other local sources	919,560	-	-	149,143
Total	$ 6,576,753	$ 143,645	$ 40,891	$ 3,042,982

	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government			
Categorical aid	$ -	$ 4,843,334	$ -
State Government			
Categorical aid	-	860,922	-
Lottery	-	1,238,412	-
Local Government			
Interest	80,564	644,449	-
Greater Anaheim SELPA	-	741,387	-
North Orange County ROP	-	2,729	-
Due from other LEAs	-	484,899	-
Other local sources	10,544	1,079,247	96,789
Total	$ 91,108	$ 9,895,379	$ 96,789

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 9,063,222	$ -	$ -	$ 9,063,222
Construction in process	17,163,110	14,441,954	-	31,605,064
Total Capital Assets Not Being Depreciated	26,226,332	14,441,954	-	40,668,286
Capital Assets Being Depreciated				
Land improvements	23,774,925	14,900	-	23,789,825
Buildings and improvements	367,698,065	104,537	151,210	367,651,392
Furniture and equipment	14,280,775	290,101	195,442	14,375,434
Vehicles	9,363,552	3,501,739	965,230	11,900,061
Total Capital Assets Being Depreciated	415,117,317	3,911,277	1,311,882	417,716,712
Total Capital Assets	441,343,649	18,353,231	1,311,882	458,384,998
Less Accumulated Depreciation				
Land improvements	19,103,525	339,858	-	19,443,383
Buildings and improvements	123,037,237	7,154,570	138,859	130,052,948
Furniture and equipment	8,393,005	823,255	190,044	9,026,216
Vehicles	4,767,374	518,858	965,230	4,321,002
Total Accumulated Depreciation	155,301,141	8,836,541	1,294,133	162,843,549
Governmental Activities Capital Assets, Net	$ 286,042,508	$ 9,516,690	$ 17,749	$ 295,541,449

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

Governmental Activities	
Instruction	$ 5,567,021
School site administration	706,923
Home-to-school transportation	265,096
Food services	795,289
Data processing	88,365
All other general administration	441,827
Plant services	972,020
Total Depreciation Expenses Governmental Activities	$ 8,836,541

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, 2018, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 8,521	$ 920,073	$ 928,594
Building Fund	1,318	-	-	1,318
Total	$ 1,318	$ 8,521	$ 920,073	$ 929,912

The balance of $8,521 is due to the General Fund from the Building Fund for reimbursement of project costs.

A balance of $919,082 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

A balance of $991 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for reimbursement of project costs.

The balance of $1,318 is due to the Building Fund from the General Fund for reimbursement of project costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

The Capital Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects to pay debt service payments for the certificates of participation.	$ 2,518,711

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Accrued payroll and benefits	$ 5,577,560	$ 20,801	$ -	$ 5
LCFF apportionment	1,537,226	-	-	-
Books and supplies	762,532	742,420	18,413	240,275
Services	1,951,841	5,444	1,550	96,859
Construction	208,930	5,272,756	-	259,233
Greater Anaheim SELPA	89,991	-	-	-
Orange County Department of Education	211,610	-	-	-
Other	10,481	-	-	163,344
Total	$ 10,350,171	$ 6,041,421	$ 19,963	$ 759,716

	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Accrued payroll and benefits	$ -	$ 5,598,366	$ -
LCFF apportionment	-	1,537,226	-
Books and supplies	-	1,763,640	-
Services	1,215,180	3,270,874	-
Construction	-	5,740,919	-
Greater Anaheim SELPA	-	89,991	-
Orange County Department of Education	-	211,610	-
Other	-	173,825	22,863
Total	$ 1,215,180	$ 18,386,451	$ 22,863

NOTE 8 - UNEARNED REVENUES

Unearned revenues at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 83,159	$ -	$ 83,159
State categorical aid	4,655,352	-	4,655,352
Other local	317,740	102,755	420,495
Total	$ 5,056,251	$ 102,755	$ 5,159,006

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	(as Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 137,629,538	$ 83,780,833	$ 13,135,000	$ 208,275,371	$ 5,965,000
Premium on issuance	12,355,624	4,012,882	1,331,951	15,036,555	-
Certificates of participation	39,595,000	-	990,000	38,605,000	5,545,000
Premium on issuance	1,904,933	-	81,061	1,823,872	-
Property and liability	292,000	(92,239)	(178,239)	378,000	-
Accumulated vacation - net	1,765,858	246,584	-	2,012,442	-
Capital leases	408,637	3,261,087	382,635	3,287,089	392,338
Supplemental early retirement plan	11,896,192	622,755	3,121,019	9,397,928	3,121,019
Net other postemployment benefits (OPEB) liability	108,119,421	6,432,919	3,294,290	111,258,050	-
	$ 313,967,203	$ 98,264,821	$ 22,157,717	$ 390,074,307	$ 15,023,357

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 Special Reserve Fund for Capital Outlay Projects from a transfer from 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. Net other postemployment benefits (OPEB) liability is 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, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
6/6/02	8/1/26	3.00 - 5.70%	$ 91,999,603	$ 5,024,505	$ -	$ 290,523	$ -	$ 5,315,028
12/5/03	8/1/28	2.00 - 5.54%	26,999,352	7,130,033	-	490,310	-	7,620,343
10/11/12	8/1/27	2.50 - 5.00%	21,225,000	17,865,000	-	-	1,000,000	16,865,000
5/7/15	8/1/40	3.25 - 5.00%	63,455,000	54,605,000	-	-	7,560,000	47,045,000
5/7/15	8/1/25	5.00%	57,455,000	53,005,000	-	-	4,575,000	48,430,000
4/5/18	8/1/43	3.25 - 5.00%	83,000,000	-	83,000,000	-	-	83,000,000
			$ 344,133,955	$ 137,629,538	$ 83,000,000	$ 780,833	$ 13,135,000	$ 208,275,371

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 rates 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, 2018, the principal balance outstanding (including accreted interest to date) was $5,315,028 and unamortized premium was $742,711.

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 rates 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, 2018, the principal balance outstanding (including accreted interest to date) was $7,620,343.

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 rates ranging from 2.50 to 5.00 percent. 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, 2018, the principal balance outstanding was $16,865,000, and unamortized premium was $1,260,834.

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 rates ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds were 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, 2018, the principal balance outstanding was $47,045,000 and unamortized premium was $2,553,048.

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 mature through August 1, 2025, and with an interest rate 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, 2018, the principal balance of $48,430,000 remained outstanding and unamortized premium and deferred charges on refunding were $6,507,209 and $1,255,160, respectively.

2014 General Obligation Bonds, Series 2018

On April 5, 2018, the District issued $83,000,000 of the 2014 General Obligation Bonds, Series 2018. The bonds mature through August 1, 2043, with interest rates ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 4, 2014, and to pay costs of issuance. At June 30, 2018, the principal balance outstanding was $83,000,000 and unamortized premium was $3,972,753.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2044 as follows:

Fiscal Year June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2019	$ 5,965,000	$ -	$ 7,484,182	$ 13,449,182
2020	13,635,000	-	7,738,588	21,373,588
2021	11,415,000	-	7,112,338	18,527,338
2022	9,705,000	-	6,584,338	16,289,338
2023	10,005,000	-	6,091,588	16,096,588
2024-2028	49,392,872	5,152,128	23,941,559	78,486,559
2029-2033	27,102,499	5,522,501	17,627,880	50,252,880
2034-2038	31,590,000	-	12,667,212	44,257,212
2039-2043	40,915,000	-	5,479,728	46,394,728
2044	8,550,000	-	149,625	8,699,625
Total	$ 208,275,371	$ 10,674,629	$ 94,877,038	$ 313,827,038

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2017	Redeemed	Outstanding June 30, 2018
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	990,000	33,605,000
				$ 39,595,000	$ 990,000	$ 38,605,000

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. At June 30, 2018, 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 rates range from 3.00 to 5.00 percent, and the certificates of participation mature through September 1, 2041. At June 30, 2018, the principal balance outstanding was $33,605,000 and unamortized premium was $1,823,872.

Debt Service Requirements to Maturity

The certificates of participation mature through 2042 as follows:

Fiscal Year June 30,	Principal	Current Interest to Maturity	Total
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	1,090,000	1,150,406	2,240,406
2024-2028	8,270,000	4,684,531	12,954,531
2029-2033	11,905,000	2,485,510	14,390,510
2034-2038	6,280,000	1,054,282	7,334,282
2039-2042	3,125,000	230,738	3,355,738
Total	$ 38,605,000	$ 14,639,491	$ 53,244,491

Property and Liability

The District has a property and liability program balance of $378,000 at June 30, 2018.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $2,012,442.

Capital Lease

The District has entered into an agreement to lease vehicles. Such agreement is, in substance, purchases (capita 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, 2017	$ 445,537
Additions	3,735,711
Payments	(476,047)
Balance, June 30, 2018	$ 3,705,201

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	$ 476,047
2020	476,047
2021	393,301
2022	393,301
2023	393,301
2024-2027	1,573,204
Total	3,705,201
Less: Amount Representing Interest	418,112
Present Value of Minimum Lease Payments	$ 3,287,089

Supplemental Early Retirement Plan (SERP)

During the 2014-2015, 2015-2016, 2016-2017, and 2017-2018 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
2019	$	3,121,019
2020		3,121,019
2021		1,577,945
2022		1,577,945
Total	$	9,397,928

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan		Net OPEB Liability		OPEB Expense
District Plan	$	109,170,522	$	3,458,828
Medicare Premium Payment (MPP) Program		2,087,528		(320,199)
Total	$	111,258,050	$	3,138,629

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	401
Active employees	2,598
	2,999

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Anaheim Secondary Teacher Association (ASTA), the local California Service Employees Association (CSEA),Anaheim Professional Guidance Association (APGA), American Federation of State, County, and Municipal Employees (AFSCME), and unrepresented groups. The benefit payments is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ASTA, CSEA, APGA, AFSCME and the unrepresented groups. For fiscal year 2017-2018, the District paid $2,974,091 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $109,170,522 was measured as of June 30, 2018 and the total OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	4.00	percent, average, including inflation
Discount rate	3.62	percent
Healthcare cost trend rates	5.00	percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actual assumptions used in the July 1, 2016 valuation were based on the results of an actual experience study for the period July 1, 2015 to June 30, 2016.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 105,711,694
Service cost	2,659,508
Interest	3,773,411
Benefit payments	(2,974,091)
Net change in total OPEB liability	3,458,828
Balance at June 30, 2018	$ 109,170,522

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.62%)	$ 122,643,482
Current discount rate (3.62%)	109,170,522
1% increase (4.62%)	97,845,145

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.0%)	$ 95,400,142
Current healthcare cost trend rate (5.0%)	109,170,522
1% increase (6.0%)	125,760,934

OPEB Expense related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $3,458,828.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $2,087,528 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.4962 percent, and 0.5144 percent, resulting in a net decrease in the proportionate share of 0.0182 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(320,199).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.58%)	$ 2,311,039
Current discount rate (3.58%)	2,087,528
1% increase (4.58%)	1,870,116

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,886,401
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	2,087,528
1% increase (4.7% Part A and 5.1% Part B)	2,286,646

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 155,000	$ -	$ -	$ -	$ 155,000
Stores inventories	599,732	-	-	169,677	769,409
Total Nonspendable	754,732	-	-	169,677	924,409
Restricted					
Legally restricted programs	13,234,004	-	-	-	13,234,004
Nutrition services	-	-	-	8,660,836	8,660,836
Capital projects	-	97,795,363	30,219,570	27,047,647	155,062,580
Debt services	-	-	-	12,921,079	12,921,079
Total Restricted	13,234,004	97,795,363	30,219,570	48,629,562	189,878,499
Assigned					
APGA one percent raise	85,020	-	-	-	85,020
Operations trucks	150,000	-	-	-	150,000
2017-2018 special projects reserve	200,000	-	-	-	200,000
Marquee and shade structure	230,000	-	-	-	230,000
Site carryover	249,208	-	-	-	249,208
2017-2018 S & C	906,730	-	-	-	906,730
Supplemental and concentration	2,008,925	-	-	-	2,008,925
Loara and Cypress pools	2,400,000	-	-	-	2,400,000
2017-2018 one-time discretionary funds	3,541,990	-	-	-	3,541,990
2016-2017 one-time discretionary funds	15,909,266	-	-	-	15,909,266
Additional three percent reserve	11,007,151	-	-	-	11,007,151
Deferred maintenance	5,189,222	-	-	-	5,189,222
Capital projects	-	-	24,051	-	24,051
Total Assigned	41,877,512	-	24,051	-	41,901,563
Unassigned					
Reserve for economic uncertainties	10,767,019	-	-	-	10,767,019
Remaining unassigned	29,134,008	-	-	-	29,134,008
Total Unassigned	39,901,027	-	-	-	39,901,027
Total	$ 95,767,275	$ 97,795,363	$ 30,243,621	$ 48,799,239	$ 272,605,498

NOTE 11 - 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 14 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, 2016 to June 30, 2018:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 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, July 1, 2017	411,766	3,780,407	4,192,173
Claims and changes in estimates	160,376	33,440,810	33,601,186
Claims payments	(112,326)	(31,260,590)	(31,372,916)
Liability Balance, June 30, 2018	$ 459,816	$ 5,960,627	$ 6,420,443
Assets available to pay claims at June 30, 2018	$ 939,795	$ 22,276,767	$ 23,216,562

NOTE 12 - 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, 2018, 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	$ 253,465,278	$ 71,609,965	$ 32,525,630	$ 22,583,600
CalPERS	112,690,488	32,969,137	4,427,537	19,278,117
Total	$ 366,155,766	$ 104,579,102	$ 36,953,167	$ 41,861,717

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, 2016, 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, 2018, 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	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were $20,604,407.

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

At June 30, 2018, 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	$ 253,465,278
State's proportionate share of the net pension liability associated with the District	149,947,918
Total	$ 403,413,196

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.2741 percent and 0.2893 percent, resulting in a net decrease in the proportionate share of 0.0152 percent.

For the year ended June 30, 2018, the District recognized pension expense of $22,583,600. In addition, the District recognized pension expense and revenue of $15,093,698 for support provided by the State. At June 30, 2018, 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	$ 20,604,407	$ -
Net change in proportionate share of net pension liability	3,110,816	21,354,301
Differences between projected and actual earnings on pension plan investments	-	6,750,487
Differences between expected and actual experience in the measurement of the total pension liability	937,339	4,420,842
Changes of assumptions	46,957,403	-
Total	$ 71,609,965	$ 32,525,630

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
2019	$ (5,611,930)
2020	4,246,576
2021	612,331
2022	(5,997,464)
Total	$ (6,750,487)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 3,834,055
2020	3,834,055
2021	3,834,055
2022	3,834,055
2023	3,570,247
Thereafter	6,323,948
Total	$ 25,230,415

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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 7.10 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 (7.10 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 (6.10%)	$ 372,167,497
Current discount rate (7.10%)	253,465,278
1% increase (8.10%)	157,130,384

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2018, 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%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $8,573,364.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $112,690,488. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.4720 percent and 0.4928 percent, resulting in a net decrease in the proportionate share of 0.0208 percent.

For the year ended June 30, 2018, the District recognized pension expense of $19,278,117. At June 30, 2018, 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	$ 8,573,364	$ -
Net change in proportionate share of net pension liability	-	3,100,746
Differences between projected and actual earnings on pension plan investments	3,898,320	-
Differences between expected and actual experience in the measurement of the total pension liability	4,037,235	-
Changes of assumptions	16,460,218	1,326,791
Total	$ 32,969,137	$ 4,427,537

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
2019	$ (105,631)
2020	4,497,816
2021	1,640,855
2022	(2,134,720)
Total	$ 3,898,320

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, the differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	$ 5,524,528
2020	5,641,029
2021	4,904,359
Total	$ 16,069,916

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	$ 165,803,820
Current discount rate (7.15%)	112,690,488
1% increase (8.15%)	68,628,532

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 $12,193,976 (9.328 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Brookhurst Junior High School - Security Fencing	$ 35,925	July 2018
Kennedy High School - Portables	35,257	July 2018
District Wide - Abatement	3,249	August 2018
District Wide - Painting	98,843	August 2018
District Wide - Polished Concrete	102,280	August 2018
Dale Junior High School - Interim Housing	219,696	August 2018
Savanna High School - Modernization Phase One	3,910,518	September 2018
Kennedy High School - Culinary Arts Classroom	221,770	September 2018
Loara High School - Security Fencing	69,500	September 2018
Kennedy High School - Site Improvement	6,145,370	December 2018
Cypress High School - Site Improvement	7,969,040	March 2019
Oxford Academy - Stem	7,410,690	August 2019
Anaheim High School - Aquatic Center	12,959,323	October 2019
	$ 39,181,461	

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, 2018.

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, 2018.

NOTE 14 - 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, 2018, the District made payments of $7,294,553 and $1,461,728 to NOCROP and SCRLEF, respectively, for services rendered and pass-through funds.

NOTE 15 - SUBSEQUENT EVENTS

Long-Term Loan

In September 2018, the District obtained a long-term loan, in the amount of $155,381, to purchase swimming pool covers. The loan will mature in July 2020.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ (37,111,225)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(77,746,714)
Net Position - Beginning as Restated	$ (114,857,939)

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR-ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 303,502,663	$ 301,886,995	$ 301,886,996	$ 1
Federal sources	19,634,715	20,125,897	17,811,609	(2,314,288)
Other State sources	43,349,092	50,265,144	48,924,496	(1,340,648)
Other local sources	5,936,999	8,244,699	7,621,062	(623,637)
Total Revenues	372,423,469	380,522,735	376,244,163	(4,278,572)
EXPENDITURES				
Current				
Certificated salaries	148,479,612	148,890,104	148,614,663	275,441
Classified salaries	53,722,533	55,001,464	54,833,557	167,907
Employee benefits	103,025,706	104,912,010	104,844,268	67,742
Books and supplies	19,416,329	13,970,551	10,479,691	3,490,860
Services and operating expenditures	31,737,711	30,590,006	22,554,043	8,035,963
Other outgo	6,483,378	5,976,970	12,270,740	(6,293,770)
Capital Outlay	3,028,220	4,166,624	3,805,740	360,884
Total Expenditures	365,893,489	363,507,729	357,402,702	6,105,027
Excess of Revenues Over Expenditures	6,529,980	17,015,006	18,841,461	1,826,455
OTHER FINANCING SOURCES (USES)				
Other sources - proceeds from a capital lease	-	3,261,087	3,261,087	-
Transfers out	(1,500,000)	(1,500,000)	-	1,500,000
Net Financing Sources (Uses)	(1,500,000)	1,761,087	3,261,087	1,500,000
NET CHANGE IN FUND BALANCE	5,029,980	18,776,093	22,102,548	3,326,455
Fund Balance - Beginning	73,664,727	73,664,727	73,664,727	-
Fund Balance - Ending	$ 78,694,707	$ 92,440,820	$ 95,767,275	$ 3,326,455

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 2,659,508
Interest	3,773,411
Benefit payments	(2,974,091)
Net change in total OPEB liability	3,458,828
Total OPEB liability - beginning	105,711,694
Total OPEB liability - ending (a)	$ 109,170,522
Covered payroll	N/A [1]
District's total OPEB liability as a percentage of covered payroll	N/A [1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.4962%
District's proportionate share of the net OPEB liability	$ 2,087,528
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR-ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.2741%	0.2893%
District's proportionate share of the net pension liability	$ 253,465,278	$ 233,962,152
State's proportionate share of the net pension liability associated with the District	149,947,918	133,190,479
Total	$ 403,413,196	$ 367,152,631
District's covered - employee payroll	$ 146,765,787	$ 155,056,682
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	172.70%	150.89%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.4720%	0.4928%
District's proportionate share of the net pension liability	$ 112,690,488	$ 97,336,612
District's covered - employee payroll	$ 60,547,264	$ 60,359,787
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	186.12%	161.26%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.3109%	0.3034%
$ 209,282,863	$ 177,288,550
110,687,564	107,054,481
$ 319,970,427	$ 284,343,031
$ 140,928,288	$ 136,384,781
148.50%	129.99%
74%	77%
0.4998%	0.5010%
$ 73,663,959	$ 56,879,614
$ 54,558,219	$ 52,325,387
135.02%	108.70%
79%	83%

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR-ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 20,604,407	$ 18,463,136
Contributions in relation to the contractually required contribution	20,604,407	18,463,136
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 142,788,683	$ 146,765,787
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 8,573,364	$ 8,408,804
Contributions in relation to the contractually required contribution	8,573,364	8,408,804
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 55,201,623	$ 60,547,264
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016	2015
$ 16,637,582	$ 12,514,432
16,637,582	12,514,432
$ -	$ -
$ 155,056,682	$ 140,928,288
10.73%	8.88%
$ 7,150,824	$ 6,422,048
7,150,824	6,422,048
$ -	$ -
$ 60,359,787	$ 54,558,219
11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

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 Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

***Change in Benefit Terms* –** There were no changes in benefit terms.

***Changes of Assumptions* –** There were no changes in economic assumptions.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 of Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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, 2018

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	$ 8,422,384
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	42,012
Title II, Part A, Supporting Effective Instruction	84.367	14341	882,784
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	37,035
English Language Acquisition State Grants:			
Title III, English Learner Student Program	84.365	14346	717,298
Title III, Immigrant Student Program	84.365	15146	31,117
Total English Language Acquisition State Grants			748,415
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	552,822
Passed through Greater Anaheim SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,251,039
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,400
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	340,032
Total Special Education (IDEA) Cluster			5,598,471
Passed through California Department of Rehabilitation:			
State Vocational Rehabilitation Services Program	84.126A	30103	50,826
Total U.S. Department of Education			16,334,749
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	14,489,120
Especially Needy Breakfast	10.553	13526	3,771,915
Meal Supplements	10.556	13392	487,088
Summer Lunch Program	10.559	13004	30,505
Food Distribution	10.555	13396	1,698,807
Total Child Nutrition Cluster			20,477,435
Total U.S. Department of Agriculture			20,477,435

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR-ENDED JUNE 30, 2018

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:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	$ 1,133,720
Passed through Orange County Office of Education (OCDE):			
Medi-Cal Administrative Activities	93.778	10060	615,695
Total Medicaid Cluster			1,749,415
Total U.S. Department of Health and Human Services			1,749,415
U.S. DEPARTMENT OF DEFENSE			
Passed through the OCDE:			
Junior Reserve Officers Training Corps - Army	12.000	[1]	400,285
Junior Reserve Officers Training Corps - Navy	12.000	JROTC153S	9,099
Total U.S. Department of Defense			409,384
Total Expenditures of Federal Awards			$ 38,970,983

[1] - PCA number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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

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, 2018

	Final Report	
	Second Period Report 633D4399	Annual Report 1CC68712
Regular ADA		
Seventh and eighth	9,566.02	9,546.78
Ninth through twelfth	19,615.35	19,501.22
Total Regular ADA	29,181.37	29,048.00
Extended Year Special Education		
Seventh and eighth	12.13	12.13
Ninth through twelfth	34.01	34.01
Total Extended Year Special Education	46.14	46.14
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.84	3.41
Ninth through twelfth	19.48	21.27
Total Special Education, Nonpublic, Nonsectarian Schools	22.32	24.68
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.22	0.22
Ninth through twelfth	2.19	2.19
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.41	2.41
Total ADA	29,252.24	29,121.23

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR-ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 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, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR-ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [4]				
Revenues	$ 405,902,114	$ 376,199,865	$ 386,025,103	$ 367,552,364
Other sources and transfers in	-	3,264,087	1,172,232	393,372
Total Revenues and Other Sources	405,902,114	379,463,952	387,197,335	367,945,736
Expenditures	(403,984,150)	(357,400,604)	(358,111,371)	(349,192,777)
Other uses and transfers out	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Total Expenditures and Other Uses	(405,484,150)	(358,900,604)	(359,611,371)	(350,692,777)
INCREASE (DECREASE) IN FUND BALANCE	$ 417,964	$ 20,563,348	$ 27,585,964	$ 17,252,959
ENDING FUND BALANCE	$ 90,999,017	$ 90,581,053	$ 70,017,705	$ 42,431,741
AVAILABLE RESERVES [2]	$ 46,588,160	$ 39,901,027	$ 32,847,060	$ 13,667,566
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.49%	11.12%	9.13%	3.90%
LONG-TERM OBLIGATIONS [3]	N/A	$ 390,074,307	$ 313,967,203	$ 203,163,195
K-12 AVERAGE DAILY ATTENDANCE AT P-2	29,451	29,252	29,502	29,776

The General Fund balance has increased by $48,146,312 over the past two years. The fiscal year 2018-2019 budget projects a further increase of $417,964 (0.5 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 all of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $186,911,112 over the past two years.

Average daily attendance has decreased by 524 over the past two years; however, a decrease of 178 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 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] Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.
[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, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 7,016,146	$ 27,457,744	$ 182
Receivables	2,986,373	30,558	24
Stores inventories	169,677	-	-
Total Assets	$ 10,172,196	$ 27,488,302	$ 206
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 319,846	$ 439,869	$ 1
Due to other funds	919,082	991	-
Unearned revenue	102,755	-	-
Total Liabilities	1,341,683	440,860	1
Fund Balances:			
Nonspendable	169,677		-
Restricted	8,660,836	27,047,442	205
Total Fund Balances	8,830,513	27,047,442	205
Total Liabilities and Fund Balances	$ 10,172,196	$ 27,488,302	$ 206

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 12,895,052	$ 47,369,124
26,027	3,042,982
-	169,677
$ 12,921,079	$ 50,581,783
$ -	$ 759,716
-	920,073
-	102,755
-	1,782,544
-	169,677
12,921,079	48,629,562
12,921,079	48,799,239
$ 12,921,079	$ 50,581,783

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, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 20,477,435	$ -	$ -
Other State sources	1,461,931	-	-
Other local sources	2,562,250	4,596,964	1,082
Total Revenues	24,501,616	4,596,964	1,082
EXPENDITURES			
Current			
Pupil services:			
Food services	23,949,336	-	-
General administration:			
All other general administration	-	76,632	-
Plant services	315,921	-	-
Facility acquisition and construction	291,474	1,370,608	142,569
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	24,556,731	1,447,240	142,569
Excess (Deficiency) of Revenues Over Expenditures	(55,115)	3,149,724	(141,487)
OTHER FINANCING SOURCES (USES)			
Other sources - premium on issuance of general obligation bonds	-	-	-
Transfers out	-	(2,518,711)	-
Net Financing Sources (Uses)	-	(2,518,711)	-
NET CHANGE IN FUND BALANCES	(55,115)	631,013	(141,487)
Fund Balances - Beginning	8,885,628	26,416,429	141,692
Fund Balances - Ending	$ 8,830,513	$ 27,047,442	$ 205

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 20,477,435
57,778	1,519,709
10,302,597	17,462,893
10,360,375	39,460,037
-	23,949,336
-	76,632
-	315,921
-	1,804,651
13,135,000	13,135,000
5,270,369	5,270,369
18,405,369	44,551,909
(8,044,994)	(5,091,872)
4,012,882	4,012,882
-	(2,518,711)
4,012,882	1,494,171
(4,032,112)	(3,597,701)
16,953,191	52,396,940
$ 12,921,079	$ 48,799,239

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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:		$ 38,289,044
Medi-Cal Billing Option	93.778	681,939
Total Schedule of Expenditures of Federal Awards		$ 38,970,983

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, 2018

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, 2018, 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 11, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 11, 2018.

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 11, 2018

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2018. 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, 2018.

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 11, 2018

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

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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 *2017-2018 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, 2018.

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 *2017-2018 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 Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Anaheim Union High School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts as identified as item 2018-001. 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 Unduplicated Local Control Funding Formula Pupil Counts

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, 2018.

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, 2018, 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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
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
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 the 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 an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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 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 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR-ENDED JUNE 30, 2018

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
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,169,129
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 Program
Unduplicated Local Control Funding Formula Pupil Counts

ANAHEIM UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2018

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

Unduplicated Local Control Funding Formula Pupil Counts

2018-001 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of two student on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by two, resulting in no change to the LCFF funding.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column)". In addition, the condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.b: "Select a representative sample, to achieve a high level of assurance, from the students that are only English Learner (EL) eligible as identified under the "ELAS Designation" column".

Context, (Continued)

The inaccurately reported eligibility for a total of two student. One of 40 students tested for FRMP was reported inaccurately and one of 40 students tested for EL designation was reported inaccurately. The auditor elected to apply additional procedures for these two groups and selected 20 additional student from each population for testing. No further discrepancies were noted in the two additional sample groups.

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total FRPM eligible pupil by two. The schedule below shows the exceptions:

School Site	Enrollment Count	Certified Total Unduplicated Pupil Count	Unduplicated Pupil Count Adjustment Based on Eligibility for FRPM	Unduplicated Pupil Count Adjustment Based on Eligibility EL Funding	Adjusted Enrollment Count	Adjusted Total Unduplicated Pupil Count
District-Wide	30,729	22,945	(1)	(1)	30,729	22,943

Cause

It appears that the condition identified has materialized as a result of the clerical error.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan

In 2017-2018, two students were identified to be incorrectly labeled as unduplicated students. One student was misidentified as an English Language Learner and the other was misidentified as being eligible for free/reduced lunch. For the first student, it was determined that she had two SSID numbers and her original SSID number identified her as an English Language Learner. For the send student, the student was entered as eligible for free/reduced lunch and then removed as eligible after the CBEDS identification date.

To correct this situation for the future, appropriate administrative staff have been informed regarding the necessity to review preliminary CALPADS date and make appropriate corrections before the final submission date.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2018

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

State Awards Findings

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.

Current Status

Implemented.

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

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, 2018, 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 11, 2018, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Local Revenue

Observation

Per review of the supporting documents pertaining to the District's local revenues, it was noted that 14 of 70 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 54 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 needs 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.

Observation

Cash collections that occur at the site level and remitted to the District Office are not receipted at the time funds are collected. It was noted that eight of 70 receipts were completed on or after 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.

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Observation

While the District is utilizing pre-numbered triplicate receipts, current procedures do not include a reconciliation to ensure that all receipts are accounted for. Under the District's current procedures, monies collected from school sites are compared to the total amounts reported on the school collection reports. However, monies collected are not reconciled to sub-receipts or other source documentation to ensure that sites are submitting all monies and receipts are intact and accounted for sequentially. Reliance is placed on the summary recap of school collection reports. District personnel responsible for reconciling revenue transactions have no way of knowing whether they have received all monies for all receipts in a sequence for each site/department.

Recommendation

The District should consider strengthening controls over completeness of receipts by maintaining perpetual logs to ensure that pre-numbered receipts are used sequentially and are wholly accounted for. Any significant variances noted should be investigated further.

UNRECORDED ACCOUNT

Observation

During the review of the cash accounts, it was noted that the District Employee Fund bank account is not accounted for on the general ledger. The accounts appears to have been opened under the District's name as a District account.

Recommendation

The District should ensure that all cash accounts are correctly recorded on the general ledger in order to accurately state the District's assets and to prevent any potential misuse of the account.

ASSOCIATED STUDENT BODY (ASB)

Observation

During our review of the financial statements, it was noted that 12 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.

Orangeview Junior High School

Observations

During our review of the ASB procedures, the following were noted:

1. Based on the review of the cash receipting procedures, it was noted that three of 31 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 12 to 14 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. Based on the review of the disbursement procedures it was noted that one of 11 disbursements tested was not approved prior to the 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. Based on the review of the disbursement procedures it was noted that five of 11 disbursements were made without explicit receiving documentation for goods being ordered.
4. Revenue potential forms are not consistently being completed for fundraising events or are partially completed. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
5. A perpetual inventory, of the P.E. clothes is not calculated and reconciled to the periodic inventory count performed at the end of the fiscal year.

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. 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 goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

4. The District should require all completed revenue potential forms to be forwarded to a site level administer to be reviewed. A third-party review of completed revenue potential forms would ensure that the ASB are 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. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity.
5. 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, 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 ASB 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.

Oxford Academy

Observations

During our review of the ASB procedures, the following were noted:

1. Based on the review of the cash receipting procedures, it was noted that two of 14 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 12 to 14 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. Based on the review of the cash receipting procedures, it was noted that for three of the 14 deposits tested two individuals did not conduct the deposit counts simultaneously. Not having a second person present creates an opportunity for cash to be misappropriated.

Recommendation

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. It is recommended that the ASB adhere to 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.

Western High School

Observations

During our review of the ASB procedures, the following were noted:

1. 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.
2. Based on the review of the disbursement procedures it was noted that three of 11 disbursements were made without explicit receiving documentation for goods being ordered.
3. It was noted that the students are actively participating in approving expenditures; however, the ASB does not maintain adequate records and documentation of ASB minutes. The ASB maintained minutes for the meetings held on Tuesdays, but not for the meetings held on Thursdays.
4. Revenue potential forms are not consistently being completed for fundraising events or are partially completed. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to expected income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
5. A perpetual inventory of the P.E. clothes is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.
6. A master ticket log is used by the ASB; however, it is not updated.
7. Five of seven ticket sales report forms tested were incomplete. The forms did not have an explanation of why there was an overage or a shortage.
8. During our review of the financial statements, it was noted that the $1,275 petty cash/change fund is not included in its entirety on the ASB's balance sheet. The balance sheet currently shows a petty cash/change fund of only $275.

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. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. The ASB should maintain proper documentation of ASB meetings to record decisions made by the student council. The ASB should retain the minutes in a permanent record book or notebook.

4. The District should require all completed revenue potential forms to be forwarded to a site level administer to be reviewed. A third-party review of completed revenue potential forms would ensure that the ASB are 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. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity.
5. 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 ASB 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.
6. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
7. All ticket sales report forms must be completely filled out at the end of each event. The 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 ticket and number sold. The form is also used to document overages and shortages. 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 event.
8. The site needs to ensure that all cash accounts are correctly stated on their balance sheet in order to accurately state the ASB's assets and to prevent an overstatement or understatement of assets.

Katella High School

Observation

During our review of the ASB procedures, the following were noted:

1. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. 18 of 22 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. It was noted that the students are actively participating in approving expenditures; however, the ASB does not maintain adequate records and documentation of ASB minutes. The ASB minutes do not reflect details of the student council discussions and approval for transactions and other activities.

3. Two of 25 disbursements tested were noted to be charitable donations. The general ASB trust account was used to hold the funds from the fundraiser and a check was made payable to the charitable organization from the general ASB trust account.
4. Revenue potential forms are not consistently being completed for fundraising events and/or fundraising events are not being approved prior to the event taking place. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
5. Two of three ticket sales report forms tested were incomplete. The forms did not have an explanation of why there was an overage or a shortage.
6. For one of three ticketed events tested, a ticket sales report form is not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.

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. The ASB should maintain proper documentation of ASB meetings to record decisions made by the student council. The ASB should retain the minutes in a permanent record book or notebook.
3. Per the FCMAT manual, this type of fundraising events must be approved by the District's governing board. In addition, the ASB should open a trust account within the ASB specifically for these donations. At the end of the donation drive, the ASB should write the check made payable to the charitable organization from the trust account.
4. The District should require all completed revenue potential forms to be forwarded to a site level administer to be reviewed. A third-party review of completed revenue potential forms would ensure that the ASB are 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. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.

5. All ticket sales report form must be completely filled out at the end of each event. The 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 ticket and number sold. The form is also used to document overages and shortages. 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 event

6. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 11, 2018