ANAHEIM UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

ANAHEIM UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2014-2015 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District, as of June 30, 2015, 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 Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14, and the budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions on pages 72 through 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anaheim Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit* Organizations and the other supplementary information as listed on the table of contents, such as the introductory and statistical section 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 9, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anaheim Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

This section of Anaheim Union High School District's (the District) June 30, 2015, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information for June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Fiduciary Activities* 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.

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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 ($88,580,537) for the fiscal year-ended June 30, 2015. Of this amount, ($297,743,224) 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	
	2015	2014 as Restated
Assets		
Current and other assets	$ 159,344,356	$ 144,873,557
Capital assets	275,095,228	277,013,227
Total Assets	**434,439,584**	**421,886,784**
Deferred Outflows of Resources	**20,742,686**	**17,166,118**
Liabilities		
Current liabilities	28,878,455	53,586,368
Long-term obligations	217,514,748	167,013,715
Aggregate net pension liability	234,168,164	294,124,931
Total Liabilities	**480,561,367**	**514,725,014**
Deferred Inflows of Resources	**63,201,440**	**-**
Net Position		
Net investment in capital assets	145,758,363	136,668,113
Restricted	63,404,324	66,123,176
Unrestricted (Deficit)	(297,743,224)	(278,463,401)
Total Net Position	**$ (88,580,537)**	**$ (75,672,112)**

The increase to total assets is mainly due to the proceeds from the sale of Measure H Bonds. The decrease in capital assets can be attributed to depreciation charges being greater than additions to capital assets. Total liabilities decreased primarily due to a $26,000,000 reduction in cash flow loans due to a better cash position than the prior year. 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	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 3,282,306	$ 3,317,087
Operating grants and contributions	74,292,173	68,882,576
Capital grants and contributions	1,238	-
General revenues:		
Federal and State aid not restricted	206,763,001	183,700,338
Property taxes	75,140,744	72,256,758
Other general revenues	9,312,803	15,938,808
Total Revenues	**368,792,265**	**344,095,567**
Expenses		
Instruction-related	254,952,013	223,700,202
Student support services	50,735,584	50,707,537
Administration	16,603,683	15,189,905
Plant services	32,263,679	32,626,690
Other	27,145,731	26,890,287
Total Expenses	**381,700,690**	**349,114,621**
Change in Net Position	**$ (12,908,425)**	**$ (5,019,054)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $381,700,690. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $75,140,744 because the cost was paid by those who benefited from the programs ($3,282,306) or by other governments and organizations who subsidized certain programs with grants and contributions ($74,292,173). We paid for the remaining "public benefit" portion of our governmental activities with $216,077,042 in Federal and State funds and with other revenues, like interest and general entitlements. Operating grants and contributions consist of categorical programs. Capital grants and contributions consist of State modernization and construction funds.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 227,669,603	$ 197,678,109	$ 182,477,074	$ 157,791,871
Instruction-related activities	27,282,410	26,022,093	24,108,587	24,084,456
Pupil services	50,735,584	50,707,537	24,466,451	24,696,190
Administration	16,603,683	16,603,683	15,470,227	13,917,680
Plant services	32,263,679	32,626,690	32,011,132	32,186,696
Other	27,145,731	26,890,287	27,444,808	24,238,065
Total	**$ 381,700,690**	**$ 350,528,399**	**$ 305,978,279**	**$ 276,914,958**

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

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $119,783,094, which is an increase of $41,045,916 from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 31,444,900	$ 327,517,297	$ 332,283,415	$ 26,678,782
Building	-	63,470,720	20,390,890	43,079,830
Capital Facilities Fund	26,551,719	6,169,771	3,614,250	29,107,240
Cafeteria Fund	9,461,279	23,980,780	24,662,519	8,779,540
County School Facilities Fund	362,761	1,237	-	363,998
Special Reserve Fund for Capital Outlay Projects	2,704,074	-	1,727,777	976,297
Bond Interest and Redemption Fund	8,212,445	78,904,635	76,319,673	10,797,407
Total	**$ 78,737,178**	**$ 500,044,440**	**$ 458,998,524**	**$ 119,783,094**

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The actual fund balance during the 2014-2015 fiscal year decreased approximately $4.7 million primarily due to an increase in Health & Welfare Benefits, and a contribution to the Deferred Maintenance Fund that was not made in the prior year.

2. Our Building Fund received $43 million in net proceeds from the sale of bonds in 2015.

3. Our Special Reserve Fund for Capital Outlay Projects decreased $1.7 million. The decrease to the fund was due to expenditures for the Central Kitchen COPS principal and interest payments and HVAC upgrades at Lexington Junior High School.

4. Our Capital Facilities Fund revenue was $6.1 million and expenditures were $3.6 million for an increase in fund balance of $2.5 million. Expenditure for debt service payments were in the amount of $3.5 million.

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 2015. (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 72.)

1. General Fund final budgeted ending fund balance increased by approximately $6.7 million over the original. A total of $10.1 million in restricted funds were budgeted in expenditure accounts in the original budget and then moved to the Restricted Reserve in the Final budget. This is a normal practice of the District as not all restricted monies are spent in the year the monies are received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $275,095,228 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1,917,999, or 0.7 percent, from last year.

Table 5

	Governmental Activities	
	2015	2014
Land and construction in process	$ 8,737,722	$ 5,985,631
Buildings and improvements	259,339,496	265,700,525
Furniture and equipment	7,018,010	5,327,071
Total	**$ 275,095,228**	**$ 277,013,227**

This year's reduction of $1.9 million is due primarily to the depreciation cost exceeding the increase in capital assets.

The District's major construction program is completed. Smaller, routine facilities projects are on-going. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $217,514,748 in long-term obligations outstanding versus $167,013,715 last year, an increase of 30.2 percent. The long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds (financed with property taxes)	$ 156,852,435	$ 105,220,484
Premium on issuance	15,118,078	5,147,337
Certificates of participation (net of discount)	14,863,211	37,143,881
Other postemployment benefits	21,378,344	17,548,662
Other	9,302,680	1,953,351
Total	**$ 217,514,748**	**$ 167,013,715**

The District's general obligation bond rating is "Aa2" (insured). The State limits the amount of general obligation debt that districts can issue to no more than 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $156,852,435 is significantly below statutorily-imposed limit.

Other obligations include compensated absences payable and cumulative rebate liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year end, the District had a net pension liability of $234,168,164 as a result of the implementation of GASB Statement No. 68. The effective date for GASB Statement No. 68 was for fiscal years beginning after June 15, 2014. Local Educational Agencies are now required to report their share of the CalPERS and CalSTRS outstanding liabilities on their government-wide financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

The District passed a General Obligation Bond (Measure H) on November 4, 2014, with a 59.1 percent approval. In May 2015, the first series of the bonds were sold. The District used the competitive bid process and received a 3.63 percent rate. The initial sale in May 2015 was for $63,455,000. After closing costs and a Bridge COPS repayment, the District netted $43 million for the first phase of construction.

In May 2015, certain Measure Z bonds were refinanced. This refinancing saved approximately $9.9 million in debt service payments over 10 years.

Eight of the District's schools were designated as California Gold Ribbon Schools by the State Superintendent. Also, all nine of the District's high schools received Gold, Silver, or Bronze Medals in the 2015 *U.S. News and World Report* "Best High Schools" ranking.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2015-2016 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Cost-of-Living Adjustment (COLA) of 1.02 percent.
2. Average Daily Attendance (ADA) was budgeted at 281, a decrease from prior year.
3. The GAP funding rate was 53.08 percent.
4. The unduplicated enrollment count percentage used was 72.93 percent.
5. Federal income was not increased or decreased other than for an estimated carryover.
6. State lottery was budgeted at $162 per ADA.
7. Grants include estimated carryover from 2014-2015, and are adjusted to actual after June 30, 2015.
8. Interest rate for Cash in County budgeted at 0.42 percent.
9. Certificated negotiations for the 2015-2016 fiscal year were not complete. The budget was reduced by $500,000 for attrition. New and restored positions were budgeted for.
10. Classified negotiations for the 2015-2016 fiscal year were not complete. The budget was reduced by $500,000 for attrition. New and restored positions were budgeted for.
11. Health and welfare costs were budgeted for overall increases due to new/restored positions and the estimated increase in premiums. Workers' Compensation was budgeted to increase seven percent due to premium increases.
12. Routine restricted maintenance expenditures include three percent of total budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 140,025,167
Receivables	18,768,240
Stores inventories	550,949
Capital assets	
Land and construction in process	8,737,722
Other capital assets	405,578,979
Less: Accumulated depreciation	(139,221,473)
Total Capital Assets	275,095,228
Total Assets	434,439,584
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,806,206
Current year pension contribution	18,936,480
Total Deferred Outflows of Resources	20,742,686
LIABILITIES	
Accounts payable	21,436,337
Interest payable	2,695,532
Unearned revenue	738,879
Claims liability	4,007,707
Long-term obligations	
Current portion of long-term obligations other than pensions	10,702,500
Noncurrent portion of long-term obligations other than pensions	206,812,248
Total Long-Term Obligations	217,514,748
Aggregate net pension liability	234,168,164
Total Liabilities	480,561,367
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	63,201,440
NET POSITION	
Net investment in capital assets	145,758,363
Restricted for:	
Debt service	12,950,210
Capital projects	17,555,560
Educational programs	10,897,387
Other activities	22,001,167
Unrestricted (Deficit)	(297,743,224)
Total Net Position	$ (88,580,537)

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, 2015

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities:			
Instruction	$ 227,669,603	$ 830,970	$ 44,360,321
Instruction-related activities:			
Supervision of instruction	5,489,188	6,160	2,423,823
Instructional library, media and technology	1,675,037	-	9,637
School site administration	20,118,185	12,445	721,758
Pupil services:			
Home-to-school transportation	6,029,261	5,811	97,352
Food services	24,399,611	2,382,198	19,901,176
All other pupil services	20,306,712	10,478	3,872,118
General administration:			
Data processing	3,991,239	-	-
All other general administration	12,612,444	25	1,133,431
Plant services	32,263,679	5,933	246,614
Ancillary services	4,925,665	-	949,600
Community services	802,946	-	102,440
Interest on long-term obligations	4,989,292	-	-
Other outgo	16,427,828	28,286	473,903
Total Governmental Activities	$ 381,700,690	$ 3,282,306	$ 74,292,173

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
$ 1,238	$ (182,477,074)
-	(3,059,205)
-	(1,665,400)
-	(19,383,982)
-	(5,926,098)
-	(2,116,237)
-	(16,424,116)
-	(3,991,239)
-	(11,478,988)
-	(32,011,132)
-	(3,976,065)
-	(700,506)
-	(4,989,292)
-	(15,925,639)
$ 1,238	(304,124,973)
	63,884,017
	8,919,798
	2,336,929
	206,763,001
	400,402
	8,912,401
	291,216,548
	(12,908,425)
	(75,672,112)
	$ (88,580,537)

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 34,013,215	$ 43,066,162	$ 29,112,245
Receivables	14,885,559	16,030	6,185
Due from other funds	1,188,985	-	-
Stores inventories	394,237	-	-
Total Assets	$ 50,481,996	$ 43,082,192	$ 29,118,430
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 19,439,625	$ 2,362	$ 11,190
Due to other funds	3,661,162	-	-
Unearned revenue	702,427	-	-
Total Liabilities	23,803,214	2,362	11,190
Fund Balances:			
Nonspendable	549,237		-
Restricted	10,897,387	43,079,830	29,107,240
Assigned	3,958,142	-	-
Unassigned	11,274,016	-	-
Total Fund Balances	26,678,782	43,079,830	29,107,240
Total Liabilities and Fund Balances	$ 50,481,996	$ 43,082,192	$ 29,118,430

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

Non-Major Governmental Funds	Total Governmental Funds
$ 18,984,713	$ 125,176,335
3,847,300	18,755,074
-	1,188,985
156,712	550,949
$ 22,988,725	$ 145,671,343
$ 846,046	$ 20,299,223
1,188,985	4,850,147
36,452	738,879
2,071,483	25,888,249
156,712	705,949
19,784,233	102,868,690
976,297	4,934,439
-	11,274,016
20,917,242	119,783,094
$ 22,988,725	$ 145,671,343

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 119,783,094**
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	$ 414,316,701	
Accumulated depreciation is the following	(139,221,473)	
Net Capital Assets		275,095,228
Expenditures relating to issuance of debt were recognized on the modified accrual basis. Under accrual basis, these expenditures are capitalized and amortized over the life of the debt as an adjustment to interest expense.		1,806,206
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		18,936,480
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,695,532)
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:		13,378,339
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(63,201,440)
Net pension liability is not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		(234,168,164)
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 the following:		
General obligation bonds	156,852,435	
Premium on issuance, net of amortization	15,118,078	
Certificates of participation	14,885,000	
Discount on issuance, net of amortization	(21,789)	
Property and liability	272,972	
Accumulated vacation	1,480,998	
Supplemental early retirement plan	7,548,710	
Other postemployment benefits	21,378,344	
Total Long-Term Obligations		(217,514,748)
Total Net Position - Governmental Activities		**$ (88,580,537)**

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, 2015

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 259,276,085	$ -	$ -
Federal sources	17,817,012	-	-
Other State sources	44,282,979	-	-
Other local sources	6,141,221	15,720	5,012,998
Total Revenues	327,517,297	15,720	5,012,998
EXPENDITURES			
Current			
Instruction	208,804,164	-	-
Instruction-related activities:			
Supervision of instruction	5,338,141	-	-
Instructional library, media, and technology	1,624,528	-	-
School site administration	18,860,785	-	-
Pupil services:			
Home-to-school transportation	6,587,879	-	-
Food services	161	-	-
All other pupil services	19,691,451	-	-
General administration:			
Data processing	3,953,125	-	-
All other general administration	11,903,040	-	55,728
Plant services	30,651,418	-	-
Facility acquisition and construction	2,810,807	-	271,144
Ancillary services	4,839,808	-	-
Community services	790,280	-	-
Other outgo	16,427,828	-	-
Debt service			
Principal	-	19,883,506	2,616,494
Interest and other	-	507,384	670,884
Total Expenditures	332,283,415	20,390,890	3,614,250
Excess (Deficiency) of Revenues Over Expenditures	(4,766,118)	(20,375,170)	1,398,748
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	1,156,773
Other sources - proceeds from issuance of debt	-	63,455,000	-
Transfers out	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-
Net Financing Sources (Uses)	-	63,455,000	1,156,773
NET CHANGE IN FUND BALANCES	(4,766,118)	43,079,830	2,555,521
Fund Balances - Beginning	31,444,900	-	26,551,719
Fund Balances - Ending	$ 26,678,782	$ 43,079,830	$ 29,107,240

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 259,276,085
19,708,762	37,525,774
1,623,140	45,906,119
11,653,671	22,823,610
32,985,573	365,531,588
-	208,804,164
-	5,338,141
-	1,624,528
-	18,860,785
-	6,587,879
23,323,253	23,323,414
-	19,691,451
-	3,953,125
-	11,958,768
318,750	30,970,168
1,591,520	4,673,471
-	4,839,808
-	790,280
-	16,427,828
5,110,000	27,610,000
4,557,853	5,736,121
34,901,376	391,189,931
(1,915,803)	(25,658,343)
-	1,156,773
69,901,079	133,356,079
(1,156,773)	(1,156,773)
(66,651,820)	(66,651,820)
2,092,486	66,704,259
176,683	41,045,916
20,740,559	78,737,178
$ 20,917,242	$ 119,783,094

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ 41,045,916**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (8,096,344)	
Capital outlays	6,178,345	(1,917,999)
In the Statement of Activities, certain operating expenses - compensated absences (vacations), special termination benefits (supplemental early retirement plan) and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by $69,451. Special termination benefits paid was less than the amount added by $7,172,574. Other postemployment benefits paid was less than the amount earned by $3,829,682.		(11,071,707)
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 he deferred outflows, deferred inflows and net pension liability during the year.		(1,474,311)
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.		(107,304)
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		(120,910,000)

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

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – (Continued)
FOR THE YEAR-ENDED JUNE 30, 2015

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	$ (12,446,079)	
Deferred amount on refunding	1,836,820	
		$ (10,609,259)
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	69,925,000	
Certificates of participation	22,500,000	92,425,000
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	2,475,338	
Amortization of debt discount	(2,420)	
Amortization of deferred amount on refunding	(30,614)	
		2,442,304
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 $724,310, and second, $863,861 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and certificates of participation.		(1,588,171)
An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.		(1,142,894)
Change in Net Position of Governmental Activities		**$ (12,908,425)**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 14,848,832
Receivables	13,166
Due from other funds	3,661,162
Total Current Assets	18,523,160
LIABILITIES	
Current Liabilities	
Accounts payable	1,137,114
Current portion of Claims liability	3,636,515
Total Current Liabilities	4,773,629
Noncurrent Liabilities	
Claims liability	371,192
Total Non-Current Liabilities	5,144,821
NET POSITION	
Restricted	13,378,339
Total Net Position	$ 13,378,339

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, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 45,407,722
OPERATING EXPENSES	
Professional and contract services	46,620,946
Operating Loss	(1,213,224)
NONOPERATING REVENUES	
Interest income	70,330
Change in Net Position	(1,142,894)
Total Net Position - Beginning	14,521,233
Total Net Position - Ending	$ 13,378,339

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, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 44,690,338
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(45,378,217)
Net Cash Used in Operating Activities	(687,879)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	70,330
Net Decrease in Cash and Cash Equivalents	(617,549)
Cash and Cash Equivalents - Beginning	15,466,381
Cash and Cash Equivalents - Ending	$ 14,848,832
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (1,213,224)
Changes in assets and liabilities:	
Receivables	(3,923)
Due from other funds	(878,222)
Prepaid expenses	164,761
Accounts payable	725,332
Claims liability	517,397
NET CASH USED IN OPERATING ACTIVITIES	$ (687,879)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Deposits and investments	$ 2,229,114
Stores inventories	4,438
Total Assets	$ 2,233,552
LIABILITIES	
Accounts payable	$ 16,663
Due to student groups	2,216,889
Total Liabilities	$ 2,233,552

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, eight junior high schools, one 7-12 academy, one special education facility, and one alternative education program.

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

Component Units

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

The Anaheim Union High School District Facilities Corporation (the Corporation), as represented by the 2004 Certificates of Participation, Series A, B, and C, and the 2012 Refunding 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 ay 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 $1,500,000.

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

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

Non-Major Governmental Funds

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

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

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

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

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).

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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.

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, 2015, 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.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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 proprietary type funds when used.

Deferred Charges

Deferred charges consist of costs of issuance and refunding of long-term debt obligations. In the government-wide and proprietary funds financial statements, costs of issuance and 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 the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, 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.

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 $63,404,324.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

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

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by $276,958,813. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73*, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

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

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 140,025,167
Fiduciary funds	2,229,114
Total Deposits and Investments	$ 142,254,281

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	$ 13,113,728
Cash in revolving	155,000
Investments	128,985,553
Total Deposits and Investments	$ 142,254,281

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 in the county 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	Amortized Cost	Fair Value	Maturity Date/ Average Maturity in Days
First American Treasury Obligations	$ 8,484,305	$ 8,484,305	33
Orange County Investment Pool	117,069,875	117,141,936	370
Bnp Paribas Fortis Commercial Paper	3,431,373	3,493,525	December 23, 2015
Total	$ 128,985,553	$ 129,119,766	

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. While the District's investment in the county pool is not required to be rated as of year-end, nor has it been rated. Likewise, the First American Treasury Obligations reflected an AAAm rating by Standards & Poor's. BNP Paribas Fortis commercial paper reflected an A-1 rating by Standards & Poor's. Investment agreements were not rated.

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, 2015, the District's bank balance of $12,167,810 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 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 7,794,833	$ -	$ -	$ 3,486,677	$ -	$ 11,281,510
State Government						
Categorical aid		-	-	282,348	-	282,348
Lottery	3,015,090	-	-	-	-	3,015,090
Special Education	1,741,456		-	-	-	1,741,456
Local Government						
Interest	45,072	16,030	6,185	135	5,043	72,465
Greater Anaheim SELPA	829,027	-	-	-	-	829,027
North Orange County ROP	33,951	-	-	-	-	33,951
Due from other LEAs	582,147		-	-	-	582,147
Other local sources	843,983	-	-	78,140	8,123	930,246
Total	$ 14,885,559	$ 16,030	$ 6,185	$ 3,847,300	$ 13,166	$ 18,768,240

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 5,869,831	$ -	$ -	$ 5,869,831
Construction in process	115,800	2,752,091	-	2,867,891
Total Capital Assets Not Being Depreciated	5,985,631	2,752,091	-	8,737,722
Capital Assets Being Depreciated				
Land improvements	22,895,847	470,242	-	23,366,089
Buildings and improvements	363,150,348	423,936	-	363,574,284
Furniture and equipment	10,518,826	1,004,702	-	11,523,528
Vehicles	5,607,204	1,527,374	19,500	7,115,078
Total Capital Assets Being Depreciated	402,172,225	3,426,254	19,500	405,578,979
Total Capital Assets	408,157,856	6,178,345	19,500	414,316,701
Less Accumulated Depreciation				
Land improvements	18,117,116	310,224	-	18,427,340
Buildings and improvements	102,228,554	6,944,983	-	109,173,537
Furniture and equipment	6,197,894	621,431	-	6,819,325
Vehicles	4,601,065	219,706	19,500	4,801,271
Total Accumulated Depreciation	131,144,629	8,096,344	19,500	139,221,473
Governmental Activities Capital Assets, Net	$ 277,013,227	$ (1,917,999)	$ -	$ 275,095,228

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

Governmental Activities	
Instruction	$ 5,100,697
School site administration	647,708
Home-to-school transportation	242,890
Food services	728,671
Data processing	80,963
All other general administration	404,817
Plant services	890,598
Total Depreciation Expenses Governmental Activities	$ 8,096,344

NOTE 5 - 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, 2015, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,188,985	$ 1,188,985
Internal Service Fund	3,661,162	-	3,661,162
Total	$ 3,661,162	$ 1,188,985	$ 4,850,147

The balance of $1,188,985 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

The balance of $3,661,162 is due to the Internal Service Fund from the General Fund for health and welfare costs.

Operating Transfers

Interfund transfers for the year-ended June 30, 2015, consisted of the following:

	Transfer From
Transfer To	Non-Major Governmental Funds
Capital Facilities Fund	$ 1,156,773

The Special Reserve Fund for Capital Projects transferred to the Capital Facilities Fund to pay debt service payments for food services COP.	$ 1,156,773

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Accrued payroll and benefits	$ 9,851,566	$ -	$ -	$ -	$ -	$ 9,851,566	$ -
Apportionment	1,826,297	-	-	-	-	1,826,297	-
Books and supplies	2,249,289	-	-	609,276	-	2,858,565	-
Services	2,722,993	-	10,165	188,168	1,129,155	4,050,481	15,842
Construction	409,785	-	-	21,004	-	430,789	-
Greater Anaheim SELPA	260,312	-	-	-	-	260,312	-
North Orange County ROP	1,462,306	-	-	-	-	1,462,306	-
Orange County Department of Education	341,856	-	-	-	-	341,856	-
Due to other LEAs	94,385	-	-	-	-	94,385	-
Other	220,836	2,362	1,025	27,598	7,959	259,780	821
Total	$ 19,439,625	$ 2,362	$ 11,190	$ 846,046	$ 1,137,114	$ 21,436,337	$ 16,663

NOTE 7 - UNEARNED REVENUES

Unearned revenues at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 159,546	$ -	$ 159,546
State categorical aid	429,924	-	429,924
Other local	112,957	36,452	149,409
Total	$ 702,427	$ 36,452	$ 738,879

NOTE 8 - CURRENT LOANS

On March 13, 2014, in accordance with California Constitution Article XVI, Section 6, and *Education Code* Section 42620, the District entered into a Bridge Transfer Agreement with the County of Orange, whereby the District borrowed during the fiscal year from the County Treasurer for funding the District's short-term cash flow. Repayment terms require installments to be paid with interest by July 31, 2014. Interest on the loan will accrue and be payable by the District at a rate equal to the gross rate the Orange County Investment Pool is earning for the same period from the date of the Bridge Transfer plus five basis points until the entire loan and applicable interest is repaid. As of June 30, 2015, the loan was paid in full.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 105,220,484	$ 121,556,951	$ 69,925,000	$ 156,852,435	$ 6,505,000
Premium on issuance	5,147,337	12,446,079	2,475,338	15,118,078	-
Certificates of participation	37,168,090	216,910	22,500,000	14,885,000	735,000
Discount on issuance	(24,209)	-	(2,420)	(21,789)	-
Property and liability	165,668	634,656	527,352	272,972	-
Accumulated vacation - net	1,411,547	69,451	-	1,480,998	-
Supplemental early retirement plan	376,136	7,548,710	376,136	7,548,710	1,509,742
Other postemployment benefits	17,548,662	5,782,440	1,952,758	21,378,344	1,952,758
	$ 167,013,715	$ 148,255,197	$ 97,754,164	$ 217,514,748	$ 10,702,500

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2015
6/6/02	8/1/26	3.00% - 5.70%	$ 91,999,603	$ 4,244,892	$ -	$ 245,445	$ -	$ 4,490,337
12/5/03	8/1/28	2.00% - 5.54%	26,999,352	5,840,592	-	401,506	-	6,242,098
1/13/05	8/1/25	3.00% - 5.00%	70,590,000	65,220,000	-	-	61,550,000	3,670,000
5/10/06	8/1/22	4.00% - 5.25%	13,000,000	9,050,000	-	-	7,375,000	1,675,000
10/11/12	8/1/27	2.50% - 5.00%	21,225,000	20,865,000		-	1,000,000	19,865,000
5/7/15	8/1/40	3.25% - 5.00%	63,455,000	-	63,455,000	-	-	63,455,000
5/7/15	8/1/2025	5.00%	57,455,000	-	57,455,000	-	-	57,455,000
			$ 344,723,955	$ 105,220,484	$ 120,910,000	$ 646,951	$ 69,925,000	$ 156,852,435

2002 General Obligation Bonds, Series A

On June 6, 2002, the District issued $91,999,603 aggregate original principal amount of 2002 General Obligation Bonds, Series A. The bonds issued included $89,790,000 of current interest bonds and $2,209,603 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of $8,570,000. The bonds mature through August 1, 2026, with interest yields ranging from 3.00 to 5.70 percent. On January 13, 2005, $67,565,000 of the bonds was advanced refunded with proceeds from the 2005 General Obligation Refunding Bonds. At June 30, 2015, the principal balance outstanding (including accreted interest to date) was $4,490,337 and unamortized premium was $990,280. Premium is amortized over the life of the bonds as a component of interest expense on the bonds.

2003 General Obligation Bonds

On December 5, 2003, the District issued the $26,999,352 aggregate original principal amount of 2003 General Obligation Bonds. The bonds issued included $24,020,000 of current interest bonds and $2,979,352 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of $15,040,000. The bonds mature through August 1, 2028, with interest yields ranging from 2.00 to 5.541 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, 2015, the principal balance outstanding was $6,242,098.

2005 General Obligation Refunding Bonds

On January 13, 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of $70,590,000. The bonds were issued at an aggregate price of $73,878,394, (representing the principal amount of $70,590,000 plus an original issue premium of $3,834,443, less underwriter's discount of $388,245, and cost of issuance of $157,804). The bonds mature through August 1, 2025, and yield interest rates of 3.00 to 5.00 percent.

The bonds were issued to refund $67,565,000 of the outstanding Anaheim Union High School District 2002 General Obligation Bonds, Series A. The bonds associated with the $67,565,000 of 2002 Issuance Series A were placed in an escrow account with U.S. Bank for the future redemption of these bonds. Deferred charges on refunding of $6,171,436 will be amortized into interest expense over the prepayment period.

As a result of the issuance of the 2015 General Obligation Refunding Bonds, a partial funding of $58,320,000 was affected for these bonds. As of June 30, 2015, the principal balance of $3,670,000 remained outstanding and unamortized premium was $103,851.

2002 General Obligation Bonds, Series 2006 C

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

As a result of the issuance of the 2015 General Obligation Refunding Bonds, a partial funding of $6,495,000 was affected for these bonds. As June 30, 2015, the principal balance outstanding was $1,675,000 and unamortized premium was $74,960. Premium is amortized over the life of the bonds as a component of interest expense on the bonds.

2012 General Obligation Refunding Bonds

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

Proceeds from the bonds were be used to advance refund the District's outstanding 2003 General Obligation Bonds current interest bonds and pay costs associated with the issuance of the bonds. The prepayment for these refunding will occur August 1, 2013.

The refunding of debt resulted in a decrease in debt service payments of $4,808,520. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new certificates) of $3,765,564. The advance refunding met the requirements of an in-substance defeasance and the associated liabilities were removed from the District's financial statements. As of June 30, 2015, the principal balance outstanding was $19,865,000, and unamortized premium was $1,681,110. Premium is amortized over the life of the bonds as a component of interest expense on the bonds.

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, 2035, with interest yields ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance school improvements, including prepayment on a current basis of lease payments associated with certain of the District's outstanding certificates of participations and to pay costs of issuance. At June 30, 2015, the principal balance outstanding was $63,455,000 and unamortized premium was $2,903,847. Premium is amortized over the life of the bonds as component of interest expense on the bonds.

2015 General Obligation Refunding Bonds

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

The bonds were issued to refund $58,320,000 of the outstanding Anaheim Union High School District 2005 General Obligation Refunding Bonds and $6,495,000 of the outstanding Anaheim Union High School District 2002 General Obligation Bonds, Series 2006C. The bonds associated with the $67,565,000 of 2002 Issuance Series A were placed in an escrow account with U.S. Bank for the future redemption of these bonds. Deferred charges on refunding of $1,836,820 will be amortized into interest expense over the prepayment period. As of June 30, 2015, the principal balance of $57,455,000 remained outstanding and unamortized premium was $9,364,030.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2041 as follows:

Fiscal Year June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2016	$ 6,505,000	$ -	$ 6,363,050	$ 12,868,050
2017	14,140,000	-	6,270,566	20,410,566
2018	13,135,000	-	5,270,369	18,405,369
2019	5,965,000	-	4,792,869	10,757,869
2020	6,435,000		4,482,869	10,917,869
2021-2025	37,415,000	-	17,050,319	54,465,319
2026-2030	37,662,435	12,877,565	8,833,128	59,373,128
2031-2035	14,310,000	-	5,387,412	19,697,412
2036-2040	17,070,000	-	2,627,600	19,697,600
2041	4,215,000	-	84,300	4,299,300
Total	$ 156,852,435	$ 12,877,565	$ 61,162,482	$ 230,892,482

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2014	Accreted	Redeemed	Outstanding June 30, 2015
8/27/04	9/1/24	4.00-5.13%	$ 15,000,000	$ 10,585,000	$ -	$ 700,000	$ 9,885,000
12/23/03	12/23/18	-	5,000,000	5,000,000	-	-	5,000,000
1/26/12	12/1/41	2.10% until 12/1/14, Subsequent Change in Interest Mode	20,593,095	21,583,090	216,910	21,800,000	-
				$ 37,168,090	$ 216,910	$ 22,500,000	$ 14,885,000

2004 Certificates of Participation, Series A, B, and C

On August 27, 2004, the District, pursuant to a lease agreement with the Anaheim Union High School District Facilities Corporation, issued certificates of participation in the amount of $15,000,000. The certificates were issued to finance the acquisition and improvements of school facilities, fund a reserve fund for the certificates, and pay costs of issuance incurred in connection with the execution and delivery of the certificates. The interest rate of the certificates ranges from 4.00 to 5.13 percent, and the certificates mature through September 1, 2024. At June 30, 2015, principal balance outstanding was $9,885,000 and unamortized discount on issuance was $21,789.

The certificates mature through 2025 as follows:

Fiscal Year June 30,	Principal	Interest	Total
2016	$ 735,000	$ 420,030	$ 1,155,030
2017	855,000	384,078	1,239,078
2018	890,000	348,733	1,238,733
2019	930,000	311,306	1,241,306
2020	965,000	271,378	1,236,378
2020-2025	5,510,000	659,315	6,169,315
Total	$ 9,885,000	$ 2,394,840	$ 12,279,840

2003 Qualified Zone Academy Bond Certificates of Participation

On December 23, 2003, the District issued $5,000,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 23, 2018. The District received net proceeds of $4,941,850 (after payment of $58,150 in underwriter fees, insurance, and other issuance costs). At June 30, 2015, the principal balance outstanding was $5,000,000.

2012 Refunding Certificates of Participation

On January 26, 2012, the Anaheim Union High School District Facilities Corporation issued the $20,593,095 2012 Refunding Certificates of Participation. The certificates accrete at the rate of 2.01 percent until December 1, 2014 to the amount of $21,800,000. The net proceeds of $17,702,056 from the issuance (issuance of $21,593,095 net of deposited amount to reserve fund of $2,059,310 and costs incurred on issuance of $831,730) were used to current refund the District's outstanding 1999 Certificates of Participation, with the prepayment occurring March 1, 2012. Contributions from the 1999 Certificates of Participation interest and reserve funds resulted in additional funds of $3,105,735 placed with an escrow agent to satisfy prepayment of the remaining balance of the 1999 Certificates of Participation. As June 30, 2015, the 2012 Refunding Certificates of Participation was fully defeased.

Property and Liability

The District has a property and liability program balance of $272,972 at June 30, 2015.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $1,480,998.

Supplemental Early Retirement Plan (SERP)

During the 2014-2015 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible certificated employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. 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
2016	$ 1,509,742
2016	1,509,742
2017	1,509,742
2018	1,509,742
2019	1,509,742
Total	$ 7,548,710

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year-ended June 30, 2015, was $6,095,335, and contributions made by the District during the year were $1,952,758. Interest on the net OPEB obligation and adjustments to the annual required contribution were $701,946 and ($1,014,841), respectively, which resulted in an increase to the net OPEB obligation of $3,829,682. As of June 30, 2015, the net OPEB obligation was $21,378,344. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 155,000	$ -	$ -	$ -	$ 155,000
Stores inventories	394,237	-	-	156,712	550,949
Total Nonspendable	549,237	-	-	156,712	705,949
Restricted					
Legally restricted programs	10,897,387	-	-	-	10,897,387
Nutrition services	-	-	-	8,622,828	8,622,828
Capital projects	-	43,079,830	29,107,240	363,998	72,551,068
Debt services	-	-	-	10,797,407	10,797,407
Total Restricted	10,897,387	43,079,830	29,107,240	19,784,233	102,868,690
Assigned					
Site carryover	728,474	-	-	-	728,474
Local control funding formula	906,110	-	-	-	906,110
Effect of 14/15 AFSCME salary negotiation	373,558	-	-	-	373,558
Digitalize site plans	200,000	-	-	-	200,000
Bus repair lift	250,000	-	-	-	250,000
Deferred maintenance	1,500,000	-	-	-	1,500,000
Capital projects	-	-	-	976,297	976,297
Total Assigned	3,958,142	-	-	976,297	4,934,439
Unassigned					
Remaining unassigned	11,274,016	-	-	-	11,274,016
Total	$ 26,678,782	$ 43,079,830	$ 29,107,240	$ 20,917,242	$ 119,783,094

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

Plan Description

The Postemployment Benefit District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Anaheim Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan also provides vision benefits for six retirees and their spouses. Membership of the Plan consists of 239 retirees and beneficiaries currently receiving benefits, and 2,466 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Anaheim Secondary Teachers Association (ASTA), the local California School Employees Association (CSEA), Anaheim Personnel and Guidance Association (APGA), American Federal of State, County and Municipal Employees (AFSCME), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. No additional amount to prefund benefits has been determined through the agreements between the District, CEA, CSEA, APGA, AFSCME, and the unrepresented groups. For fiscal year 2014-2015, the District contributed $1,952,758 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 6,095,335
Interest on net OPEB obligation	701,946
Adjustment to annual required contribution	(1,014,841)
Annual OPEB cost (expense)	5,782,440
Contributions made	(1,952,758)
Increase in net OPEB obligation	3,829,682
Net OPEB obligation, beginning of year	17,548,662
Net OPEB obligation, end of year	$ 21,378,344

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 5,049,132	$ 1,901,457	38%	$ 13,822,731
2014	5,599,378	1,873,447	33%	17,548,662
2015	5,782,440	1,952,758	34%	21,378,344

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 57,636,453	$ 57,636,453	0%	$ 197,228,217	29%

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The actuarial assumptions included a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefits payments. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar open period method. The remaining amortization period at June 30, 2015, was 23 years.

NOTE 12 - RISK MANAGEMENT – CLAIMS

Description

The Anaheim Union High School District's risk management activities are recorded in the General, Health and Welfare, and the Workers' Compensation 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. Excess property and liability coverage is obtained through Schools Excess Liability Fund. Refer to Note 15 for additional information regarding the JPA's.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 2013	$ 321,223	$ 2,954,299	$ 3,275,522
Claims and changes in estimates	19,588	22,305,184	22,324,772
Claims payments	(65,344)	(22,044,640)	(22,109,984)
Liability Balance, June 30, 2014	275,467	3,214,843	3,490,310
Claims and changes in estimates	218,213	24,876,567	25,094,780
Claims payments	(61,244)	(24,516,139)	(24,577,383)
Liability Balance, June 30, 2015	$ 432,436	$ 3,575,271	$ 4,007,707
Assets available to pay claims at June 30, 2015	$ 1,318,193	$ 16,067,853	$ 17,386,046

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 177,288,550	$ 12,514,432	$ 43,656,968	$ 15,365,108
CalPERS	56,879,614	6,422,048	19,544,472	5,045,684
Total	$ 234,168,164	$ 18,936,480	$ 63,201,440	$ 20,410,792

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, 2013, 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, 2015, 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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were $12,514,432.

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

At June 30, 2015, 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	$ 177,288,550
State's proportionate share of the net pension liability associated with the District	107,054,481
Total	$ 284,343,031

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.3034 percent.

For the year ended June 30, 2015, the District recognized pension expense of $15,365,108. In addition, the District recognized revenue and pension expense of $9,242,258 for support provided by the State. At June 30, 2015, 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	$ 12,514,432	$ -
Difference between projected and actual earnings on pension plan investments	-	43,656,968
Total	$ 12,514,432	$ 43,656,968

The deferred outflow 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 year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 10,914,242
2017	10,914,242
2018	10,914,242
2019	10,914,242
Total	$ 43,656,968

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 276,346,484
Current discount rate (7.60%)	177,288,550
1% increase (8.60%)	94,692,237

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, 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	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015, are presented above and the total District contributions were $6,422,048.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $56,879,614. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.5010 percent.

For the year ended June 30, 2015, the District recognized pension expense of $5,045,684. At June 30, 2015, 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	$ 6,422,048	$ -
Difference between projected and actual earnings on pension plan investments	-	19,544,472
Total	$ 6,422,048	$ 19,544,472

The deferred outflow 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 year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 4,886,118
2017	4,886,118
2018	4,886,118
2019	4,886,118
Total	$ 19,544,472

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 (6.50%)	$ 99,779,828
Current discount rate (7.50%)	56,879,614
1% increase (8.50%)	21,032,161

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 $7,525,689 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Lexington Junior High - Exterior Lighting	$ 9,856	November 30, 2015
Lexington Junior High - HVAC Project	141,622	December 15, 2015
	$ 151,478	

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, 2015.

Litigation

The District is involved in various litigation 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, 2015.

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

The District is a member of the North Orange County Regional Occupational Program (NOCROP) and the Schools Excess Liability Fund (SELF), and California State Association of Counties Excess Liability Authority (CSAC) 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, SELF, and CSAC.

During the year-ended June 30, 2015, the District made payments of $9,340,379, $113,062, and $532,901 to NOCROP, SELF, and CSAC, respectively, for services rendered and pass-through funds.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 201,286,701
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(294,124,931)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	17,166,118
Net Position - Beginning as Restated	$ (75,672,112)

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 258,689,810	$ 259,276,086	$ 259,276,085	$ (1)
Federal sources	18,651,411	19,712,804	17,817,012	(1,895,792)
Other State sources	32,061,698	38,244,370	44,282,979	6,038,609
Other local sources	4,051,542	6,217,595	6,141,221	(76,374)
Total Revenues [1]	313,454,461	323,450,855	327,517,297	4,066,442
EXPENDITURES				
Current				
Certificated salaries	141,511,352	146,071,371	145,898,275	173,096
Classified salaries	48,295,966	50,216,433	50,200,766	15,667
Employee benefits	69,469,714	71,295,454	78,554,196	(7,258,742)
Books and supplies	28,013,636	16,881,485	14,348,454	2,533,031
Services and operating expenditures	21,489,886	24,838,534	22,557,109	2,281,425
Capital Outlay	2,442,231	4,312,683	4,296,787	15,896
Other outgo	17,022,995	17,938,076	16,427,828	1,510,248
Total Expenditures [1]	328,245,780	331,554,036	332,283,415	(729,379)
NET CHANGE IN FUND BALANCE	(14,791,319)	(8,103,181)	(4,766,118)	3,337,063
Fund Balance - Beginning	31,444,900	31,444,900	31,444,900	-
Fund Balance - Ending	$ 16,653,581	$ 23,341,719	$ 26,678,782	$ 3,337,063

[1] On behalf payments of $7,525,689 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts, as they are not required to be budgeted.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR-ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	$ -	$ 42,269,472	$ 42,269,472	0%	$ 182,294,011	23%
July 1, 2012	-	53,818,551	53,818,551	0%	188,710,167	29%
July 1, 2014	-	57,636,453	57,636,453	0%	197,228,217	29%

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR-ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability (asset)	0.3034%
District's proportionate share of the net pension liability (asset)	$ 177,288,550
State's proportionate share of the net pension liability (asset) associated with the District	107,054,481
Total	$ 284,343,031
District's covered - employee payroll	$ 136,384,781
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	129.99%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.5010%
District's proportionate share of the net pension liability (asset)	$ 56,879,614
District's covered - employee payroll	$ 52,325,387
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	108.70%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR-ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 12,514,432
Contributions in relation to the contractually required contribution	12,514,432
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 140,928,288
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 6,422,048
Contributions in relation to the contractually required contribution	6,422,048
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 54,558,219
Contributions as a percentage of covered - employee payroll	11.77%

Note: In the future, as data become 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, 2015

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, Grants to Local Educational Agencies	84.010	14981	$ 7,786,894
Title I - Part G, Advanced Placement Test Fee Program	84.330B	14831	140,956
Title II - Part A, Improving Teacher Quality	84.367	14341	1,108,417
Title II - Part B, CA Mathematics and Science Partnerships	84.366	14512	381,556
Title III - Limited English Proficiency	84.365	14346	721,560
Title III - Immigrant Education Program	84.365	15146	68,623
Carl D. Perkins Vocational and Technical Education:			
Vocational and Applied Technology - Secondary	84.048	14894	549,681
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	5,465,816
IDEA Local Assistance, Part B, Section 611 Private School	84.027	10115	10,142
IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	344,297
Total Special Education (IDEA) Cluster			5,820,255
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	52,612
Total U.S. Department of Education			16,630,554
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	14,145,418
Especially Needy Breakfast	10.553	13390	3,702,291
Meal Supplements	10.556	13392	491,940
Summer Lunch Program	10.559	13004	5,554
Food Distribution	10.555	13391	1,363,559
Total U.S. Department of Agriculture			19,708,762

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR-ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	$ 849,090
DEPARTMENT OF DEFENSE			
Passed through the Orange County Department of Education:			
Junior Reserve Officers Training Corps - Army	12.000	[1]	390,964
Junior Reserve Officers Training Corps - Navy	12.000	JROTC153S	85,257
Total U.S. Department of Defense			476,221
Total Expenditures of Federal Awards			$ 37,664,627

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

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, a community day school, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Annemarie Randle-Trejo	President	2018
Anna L Piercy	Clerk	2018
Katherine H. Smith	Assistant Clerk	2016
Al Jabbar	Member	2018
Brian O'Neal	Member	2016

ADMINISTRATION

Michael B. Matsuda	Superintendent
Dianne Poore	Assistant Superintendent, Business Services
Manuel Colon	Assistant Superintendent, Educational Services
Jaron Fried	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, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	9,821.90	9,797.04
Ninth through twelfth	20,118.16	19,948.63
Total Regular ADA	29,940.06	29,745.67
Extended Year Special Education		
Seventh and eighth	7.54	7.54
Ninth through twelfth	25.37	25.37
Total Extended Year Special Education	32.91	32.91
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	3.43	3.83
Ninth through twelfth	20.52	20.68
Total Special Education, Nonpublic, Nonsectarian Schools	23.95	24.51
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.29	0.29
Ninth through twelfth	3.63	3.63
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.92	3.92
Community Day School		
Seventh and eighth	17.02	20.01
Ninth through twelfth	29.07	25.57
Total Community Day School	46.09	45.58
Total ADA	30,046.93	29,852.59

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR-ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000	52,500				
Grade 7			61,050	180	-	Complied
Grade 8			61,050	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,273	180	-	Complied
Grade 10			64,273	180	-	Complied
Grade 11			64,273	180	-	Complied
Grade 12			64,273	180	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR-ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND [4]				
Revenues	$ 358,904,352	$ 327,517,298	$ 304,688,695	$ 282,577,568
Expenditures	(354,619,362)	(332,283,416)	(300,654,102)	(289,231,002)
Other uses and transfers out	(1,500,000)	(1,500,000)	-	-
Total Expenditures and Other Uses	(356,119,362)	(333,783,416)	(300,654,102)	(289,231,002)
INCREASE (DECREASE) IN FUND BALANCE	$ 2,784,990	$ (6,266,118)	$ 4,034,593	$ (6,653,434)
ENDING FUND BALANCE	$ 27,963,772	$ 25,178,782	$ 31,444,900	$ 27,410,307
AVAILABLE RESERVES [2]	$ 21,867,280	$ 11,274,016	$ 11,564,585	$ 9,592,136
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	6.14%	3.30%	3.94%	3.40%
LONG-TERM OBLIGATIONS	N/A	$ 217,514,748	$ 167,013,715	$ 168,553,812
K-12 AVERAGE DAILY ATTENDANCE AT P-2	30,325	30,047	30,339	30,558

The General Fund balance has decreased by $2,231,525 over the past two years. The fiscal year 2015-2016 budget projects an increase of $2,784,900 (11.1 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $48,960,936 over the past two years.

Average daily attendance has decreased by 511 over the past two years. However, a growth of 278 ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.
[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, 2015

	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 6,826,122	$ 363,883	$ 997,301
Receivables	3,847,165	135	-
Stores inventories	156,712	-	-
Total Assets	$ 10,829,999	$ 364,018	$ 997,301
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 825,022	$ 20	$ 21,004
Due to other funds	1,188,985	-	-
Unearned revenue	36,452	-	-
Total Liabilities	2,050,459	20	21,004
Fund Balances:			
Nonspendable	156,712	-	-
Restricted	8,622,828	363,998	-
Assigned	-	-	976,297
Total Fund Balances	8,779,540	363,998	976,297
Total Liabilities and Fund Balances	$ 10,829,999	$ 364,018	$ 997,301

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 10,797,407	$ 18,984,713
-	3,847,300
-	156,712
$ 10,797,407	$ 22,988,725
$ -	$ 846,046
-	1,188,985
-	36,452
-	2,071,483
-	156,712
10,797,407	19,784,233
-	976,297
10,797,407	20,917,242
$ 10,797,407	$ 22,988,725

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, 2015

	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Federal sources	$ 19,708,762	$ -	$ -
Other State sources	1,555,643	-	-
Other local sources	2,716,375	1,237	-
Total Revenues	23,980,780	1,237	-
EXPENDITURES			
Current			
Pupil services:			
Food services	23,323,253	-	-
Plant services	318,750	-	-
Facility acquisition and construction	1,020,516	-	571,004
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	24,662,519	-	571,004
Excess (Deficiency) of Revenues Over Expenditures	(681,739)	1,237	(571,004)
OTHER FINANCING USES			
Other sources - proceeds from issuance of debt	-	-	-
Transfers out	-	-	(1,156,773)
Other uses - payment to refunded bond escrow agent	-	-	-
Net Financing Sources (Uses)	-	-	(1,156,773)
NET CHANGE IN FUND BALANCES	(681,739)	1,237	(1,727,777)
Fund Balances - Beginning	9,461,279	362,761	2,704,074
Fund Balances - Ending	$ 8,779,540	$ 363,998	$ 976,297

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 19,708,762
67,497	1,623,140
8,936,059	11,653,671
9,003,556	32,985,573
-	23,323,253
-	318,750
-	1,591,520
5,110,000	5,110,000
4,557,853	4,557,853
9,667,853	34,901,376
(664,297)	(1,915,803)
69,901,079	69,901,079
-	(1,156,773)
(66,651,820)	(66,651,820)
3,249,259	2,092,486
2,584,962	176,683
8,212,445	20,740,559
$ 10,797,407	$ 20,917,242

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2015

(Dollar amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 17,817	5.4	$ 17,176	5.6	$ 16,824	6.0
State and local revenue included in Local Control Funding Formula	259,276	79.2	236,344	77.6	190,685	67.4
Other State revenue	44,283	13.5	46,221	15.2	71,962	25.5
Other local revenue	6,141	1.9	4,948	1.6	3,107	1.1
Total Revenues	327,517	100.0	304,689	100.0	282,578	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	145,898	44.6	139,747	45.9	134,726	47.7
Classified salaries	50,201	15.3	47,139	15.5	44,369	15.7
Employee benefits	78,554	24.0	64,996	21.3	70,071	24.8
Total Salaries and Benefits	274,653	83.9	251,882	82.7	249,166	88.2
Books and supplies	14,348	4.4	10,145	3.3	7,431	2.6
Contracts and operating expenses	22,557	6.8	21,326	7.0	19,412	6.9
Capital outlay	4,297	1.3	972	0.3	1,005	0.4
Other outgoing	16,428	5.0	16,329	5.4	12,218	4.3
Total Expenditures	332,283	101.4	300,654	98.7	289,232	102.4
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,766)	(1.4)	4,035	1.3	(6,654)	(2.4)
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,500)	(0.5)	-	-	-	(0.0)
INCREASE (DECREASE) IN FUND BALANCE	(6,266)	(1.9)	4,035	1.3	(6,654)	(2.4)
FUND BALANCE, BEGINNING	31,445		27,410		34,064	
FUND BALANCE, ENDING	$ 25,179		$ 31,445		$ 27,410	
ENDING FUND BALANCE TO TOTAL REVENUE		7.7		10.3		9.7

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR-ENDED JUNE 30, 2015

(Dollar amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	$ 19,709	82.2	$ 19,600	81.0	$ 18,756	80.1
State meal program	1,556	6.5	1,419	5.9	1,455	6.2
Food sales	2,382	9.9	2,710	11.2	2,886	12.3
Other	334	1.4	460	1.9	333	1.4
Total Revenues	23,981	100.0	24,189	100.0	23,430	100.0
EXPENDITURES						
Salaries and employee benefits	11,656	48.6	11,318	46.8	11,108	47.4
Food	10,027	41.8	10,274	42.5	9,757	41.7
Other	2,979	12.4	2,214	9.1	1,831	7.8
Total Expenditures	24,662	102.8	23,806	98.4	22,696	96.9
INCREASE IN FUND BALANCE	(681)	(2.8)	383	1.6	734	3.1
FUND BALANCE, BEGINNING	9,461	39.4	9,078	37.5	8,344	35.6
FUND BALANCE, ENDING	$ 8,780		$ 9,461		$ 9,078	
ENDING FUND BALANCE TO TOTAL REVENUES		36.6		39.1		38.7

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	313,072	6.3	309,566	6.2	332,014	6.6
Reduced price	676,363	13.6	721,074	14.4	707,625	14.1
Free	3,997,904	80.1	3,985,956	79.4	3,995,512	79.3
Total Lunches	4,987,339	100.0	5,016,596	100.0	5,035,151	100.0
BREAKFAST						
Paid	105,806	5.2	94,652	4.6	51,334	2.6
Reduced price	263,983	12.9	268,915	13.1	253,791	12.8
Free	1,679,986	81.9	1,691,501	82.3	1,672,019	84.6
Total Breakfast	2,049,775	100.0	2,055,068	100.0	1,977,144	100.0

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of Medi-Cal Billing Option funds that have been recorded in the prior period as revenues that have been expended in the current year.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 37,525,774
Medi-Cal Billing Option	93.778	138,853
Total Schedule of Expenditures of Federal Awards		$ 37,664,627

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, 2015

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.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Account Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the Cafeteria Account for the past three years.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2015, 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 9, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 9, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 9, 2015

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

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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Anaheim Union High School District's (the District) major Federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 9, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 compliance with the types of compliance requirements as identified in the *2014-2015 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, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 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 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 2015-001. 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 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, 2015.

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, 2015, 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
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

	Procedures Performed
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	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 over 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 does not offer an Early Retirement Incentive Program; 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 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 over K-3 Grade Span Adjustment.

The District does not have an Adult Education Program; therefore, we did not perform procedures related to the Adult Education Maintenance of Effort.

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 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 9, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANAHEIM UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR-ENDED JUNE 30, 2015

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 .510(a) of OMB Circular A-133?	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:	$ 1,129,939
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

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

Name of State programs:
Unduplicated Local Control Funding Formula Pupil Counts

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2015

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2015

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2015

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

2015-001 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the 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.

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 926 students for Free or Reduced Priced Meals on California Longitudinal Pupil Achievement Data System (CALPADS) Form 1.18 – Free or Reduced Meals (FRPM)/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 926, resulting in a decrease of approximately $385,266 in Local Control Funding Formula (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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-2015* Section19849(a)(1): "Select a representative sample, to achieve a high level of assurance, from the students indicated as a 'No' under the 'Direct Certification' column, that are only Free or Reduced Priced Meals (FRPM) eligible identified under the 'NSLP Program' column and verify there is supporting documentation such as a FRPM eligibility application under a Federal nutrition program or an alternative household income data collection form that indicates the student was eligible for the designation."

The auditor inquired further with the District and determined that the District did not make changes to students' eligibility for those students whose status should have been updated from the prior year. The District extracted the eligibility status for fiscal year 2014-2015 and compared it to the status report on CALPADS Form 1.18. The comparison resulted in a decrease of 926 eligible pupils. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on the list as having a change in status, yet the change was not made. This list noted a total of 926 students whose status should have been changed in CALPADS.

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 under claiming the total FRPM eligible pupil by 926 for a decrease in funding of approximately $985,266. The schedule below shows the exceptions by site and District-wide:

School Name	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility for FRPM	Adjusted Total Unduplicated Count	Adjusted Total Enrollment Count
Anaheim High	3,206	2,947	(104)	2,843	320
Ball Junior High	1,043	947	(14)	933	104
Brookhurst Junior High	1,193	1,046	(25)	1,021	119
Community Day/Alternative Education/Special Education	65	64	(4)	60	6
Cypress High	2,737	1,028	(98)	930	273
Dale Junior High	1,180	1,060	(15)	1,045	118
Gilbert High (Continuation)	717	598	(29)	569	71
Hope	309	229	(5)	224	30
John F. Kennedy High	2,373	1,180	(78)	1,102	237
Katella High	2,692	2,354	(89)	2,265	269
Lexington Junior High	1,275	510	(20)	490	127
Loara High	2,377	1,993	(103)	1,890	237
Magnolia High	1,813	1,601	(86)	1,515	181
Orangeview Junior High	897	762	(11)	751	89
Oxford Academy	1,194	455	(23)	432	119
Polaris High (Alternative)	268	168	(27)	141	26
Savanna High	2,055	1,751	(57)	1,694	205
South Junior High	1,558	1,404	(28)	1,376	155
Walker Junior High	1,150	592	(13)	579	115
Western High	2,124	1,726	(90)	1,636	212
District-Wide	**31,659**	**23,768**	**(926)**	**22,842**	**3,165**

Cause

It appears that the condition identified has materialized as a result of the District not updating the status for students whose eligibility changed from the prior year from free or reduced to paid.

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

An automated process has been implemented to receive Food Services' eTrition data, including the addition of entry and dates into the program. This information is input into the Aeries system. The process runs daily and was put into production in November 2014. The CalPADS data import process begins after prior year eligibility expires. The Information & Education, and the Food Services departments collaborated on the development of process and its implementation.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR-ENDED JUNE 30, 2015

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2014-001 40000

STATE COMPLIANCE

After School Education and Safety Program - Attendance and Reporting

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(1), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of fifteen hours a week and operated until at least 6:00 p.m. every regular school day, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program in accordance with the early release policy.

Condition

There appears to be some instances in which there are no verifiable records to support students leaving the program early as required by the District's policy. The District has a procedure to allow reasonable early release and still count attendance for the day if prior arrangements are made with the program supervisor and the reason is documented on the Early Release Form. Moreover, forms must be completed prior to the student release and early releases should be kept to a minimum.

However, during the review of the November 2013 sign-out sheets and early release forms for Orangeview Junior High, it was noted that a number of students were consistently leaving early, and did not have the early release forms. These students were counted as "student served" as if they attended a full-day of after school.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through a review of the attendance records from one of six sites that operates the after school program. The auditor selected one school for the first semi-annual reporting period dated August to December 2013. Early release forms were also reviewed for each child's sign-out time in order to determine daily participation. The auditor reviewed early release forms for the month of November 2013.

Effect

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(1). There are no verifiable records to support students leaving the program early as established by the District's early release policy. Based on testing, it appears the District overstated the number of student served by 844.

Cause

It appears that the condition identified has materialized as a result of the site's unfamiliarity with the District's early release policy.

Recommendation

The District should implement procedures requiring the parents or guardians to complete an early release form each time a student leaves early from the program. The form needs to be completed prior to releasing the student from the premise. In addition, the District should ensure adequate review of the attendance reports prior to submission to the California Department of Education to ensure the total number of students served in the manual rosters reconcile to the total number of students reported on the attendance report excluding students without the appropriate early release form on file.

Current Status

Implemented.

Governing Board
Anaheim Union High School District
Anaheim, California

In planning and performing our audit of the basic financial statements of Anaheim Union High School District for the year-ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 9, 2015, on the basic financial statements of the Anaheim Union High School District.

INTERNAL CONTROLS

Credit Cards

Observation

The District has issued credit cards to certain individuals; however, the District has failed to adhere to its formal policies and procedures with regard to these credit cards. In addition, the purchases are not approved or reviewed until after the purchase has taken place.

Recommendation

The District should adhere to its established policies and procedures for the use of credit cards. The use of credit cards is very susceptible to abuse and therefore tight restrictions and controls are needed to prevent misuse. Transactions related to travel, conference, or categorical program must be pre-approved prior to the transaction taking place. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

Conference Request and Reimbursements

Observations

We noted that eight out of 20 conference requests and reimbursements were dated after the date on the invoices. This could potentially lead to expenditures of questionable nature if disbursements are not pre-approved.

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Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

ASSOCIATED STUDENT BODY (ASB)

Various Sites

Observation

Based on the review of the bank reconciliations, it was noted that the sites are not adequately reconciling the savings accounts to account for interest earnings throughout the year. Therefore, the ASBs are understating the revenues by not reflecting the earned interest on the financial statements.

Recommendation

The District should implement procedures to ensure the ASBs are accounting for interest revenues in their monthly bank reconciliations; at this time the interest revenues should also be recorded in the financial statements. The bank reconciliation should be reviewed by an independent individual, preferably by an administrator with accounting knowledge, to ensure proper the ASBs are accounting for interest earnings adequately.

South Junior High School

Observations

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

1. Out of 17 receipts tested, two were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 20 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. Out of 13 disbursements tested, five were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. 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 of fundraising events, it was noted that 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.

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 purchase.
3. Revenue potential forms are vital internal control tool and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue potential forms should be approved by the club representative, club advisor, and school administrator.

Oxford Academy

Observations

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

1. Out of seven receipts tested, four were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 20 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. Out of 11 disbursements tested, three did not indicate specific vendors that the ASB would engage in business transactions with. Additional one purchase requisition did not specify a vendor, items to be purchased, or date of approval. The use of such purchase orders prevents the ASB from engaging in proper pre-approval of transactions.
3. 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 of two revenue potential forms, it was noted that both 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.
4. Site does not utilize an adequate daily sales report to document cash received for items sold in the student store. The sales report currently used does not indicate the extended price of items sold and only notes the number of items sold. Therefore, reconciliation between the cash collected and items sold is not prepared.

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. All purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. This would allow the ASB to facilitate the pre-approval of disbursement transactions.

3. Revenue potential forms are vital internal control tool and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue potential forms should be approved by the club representative, club advisor, and school administrator.
4. A daily sales report should be prepared where the items sold are reconciled to the cash collected. To further strengthen student store controls, inventory should be reconciled with daily sales recap sheets and physical inventory counts of goods to ensure all merchandise has been accounted for. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise or monies have been lost or stolen.

Loara High School

<u>Observations</u>

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

1. Out of 18 disbursements tested, seven were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Explanations for overages and shortages are not documented on the tickets sales recap forms.
3. Daily sales forms are not reconciled to the cash received from the student store sales. A week in the month of October 2014 was tested and the daily sales forms for each day did not agree to the bank deposits. Cash deposited was greater than the amount indicated on the sales forms for each day.

<u>Recommendations</u>

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 purchase.
2. 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 immediately after the event to the monies deposited with the bookkeeper. This reconciliation should include explanations for any overages and shortages of cash. This will help the site personnel identify potential problems in cash collections.
3. A daily sales report should be prepared where the items sold are reconciled to the cash collected. To further strengthen student store controls, inventory should be reconciled with daily sales recap sheets and physical inventory counts of goods to ensure all merchandise has been accounted for. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise or monies have been lost or stolen.

Western High School

Observations

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

1. Explanations for overages and shortages are not documented on the tickets sales recap forms.
2. For two of the funding raising events tested, revenue potential forms were not used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
3. The ASB does not maintain adequate ticket logs for the ticket rolls. Currently, the ASB maintains a log that is not kept current. Auditor noted differences between the master ticket log ending ticket number and actual ticket rolls.
4. A physical inventory is not performed. In addition, a perpetual inventory is not maintained.
5. A dual cash count is not performed when monies are deposited with the ASB bookkeeper.
6. It was noted that the change fund amount of $1,200 was not reflected on the student body financial statements. Of this amount, currently $175 has been misplaced.

Recommendations

1. 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 immediately after the event to the monies deposited with the bookkeeper. This reconciliation should include explanations for any overages and shortages of cash. This will help the site personnel identify potential problems in cash collections.
2. Revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue potential forms should be approved by the club representative, club advisor, and school administrator.
3. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out nothing the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log. The ticket rolls should be safeguarded as if they were cash. Stolen tickets would equate to loss of revenues for the ASB, because stolen tickets could be presented for admission rather than an individual paying for admission.
4. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.

5. Before accepting the funds for deposit, the ASB bookkeeper should verify by recounting the monies in the presence of the individual making the deposit. Both individuals should sign the cash collection form and date it to indicate both recounted the monies and verified the amount being collected. This procedure decreases the number of disputes arising from deposits processed incorrectly.
6. The site should immediately deposit the extra cash into their checking account and if needed, subsequently obtain approval prior to establishing another change fund. In addition, the District should immediately investigate the reason for misplaced cash.

Savanna High School

Observations

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

1. Out of 22 receipts tested, one was not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 20 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. Out of 17 disbursements tested, seven were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Out of 17 disbursements tested, one disbursement was made without explicit receiving documentation for goods being ordered. As a result, vendor was paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.
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 of two revenue potential forms, it was noted that one revenue potential form 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 physical inventory is not performed. In addition, a perpetual inventory is not maintained.
6. The ASB had a negative beginning balance of $5,250 for the month of October 2014.

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 purchase.
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. Revenue potential forms are vital internal control tool and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue potential forms should be approved by the club representative, club advisor, and school administrator.
5. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
6. 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 purchase.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015