ANAHEIM UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

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, 2016, 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 72, schedule of other postemployment benefits funding progress on page 73, schedule of the District's proportionate share of net pension liability on page 74, and schedule of District contributions on page 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anaheim Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and 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 8, 2016, 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 8, 2016

This section of Anaheim Union High School District's (the District) June 30, 2016, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of grade seven through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(60,466,389) for the fiscal year-ended June 30, 2016. Of this amount, $(281,667,950) 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	
	2016	2015
Assets		
Current and other assets	$ 175,410,796	$ 159,344,356
Capital assets	277,279,510	275,095,228
Total Assets	**452,690,306**	**434,439,584**
Deferred Outflows of Resources	**62,875,207**	**20,742,686**
Liabilities		
Current liabilities	33,582,836	28,878,455
Long-term obligations	203,163,195	217,514,748
Aggregate net pension liability	282,946,822	234,168,164
Total Liabilities	**519,692,853**	**480,561,367**
Deferred Inflows of Resources	**56,339,049**	**63,201,440**
Net Position		
Net investment in capital assets	152,133,818	145,758,363
Restricted	69,067,743	63,404,324
Unrestricted (Deficit)	(281,667,950)	(297,743,224)
Total Net Position	**$ (60,466,389)**	**$ (88,580,537)**

The increase in total assets is mainly due to an inter-fund loan from the Health and Welfare Fund to cover a low point in cash and increased revenues. The increase in capital assets can be attributed to modernization/construction expenditures. Total liabilities increased primarily due to an increase in the net pension liability. 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 15. 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	
	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 3,199,122	$ 3,282,306
Operating grants and contributions	70,532,094	74,292,173
Capital grants and contributions	3,475	1,238
General revenues:		
Federal and State aid not restricted	232,344,101	206,763,001
Property taxes	100,554,828	75,140,744
Other general revenues	11,572,358	9,312,803
Total Revenues	**418,205,978**	**368,792,265**
Expenses		
Instruction-related	255,428,277	254,952,013
Pupil services	54,688,055	50,735,584
Administration	18,156,621	16,603,683
Plant services	37,718,947	32,263,679
Other	24,099,930	27,145,731
Total Expenses	**390,091,830**	**381,700,690**
Change in Net Position	**$ 28,114,148**	**$ (12,908,425)**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $390,091,830. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $100,554,828 because the cost was paid by those who benefited from the programs ($3,199,122) or by other governments and organizations who subsidized certain programs with grants and contributions ($70,535,569). We paid for the remaining "public benefit" portion of our governmental activities with $243,916,459 in Federal and State funds and with other revenues, like interest and general entitlements. Operating grants and contributions consist of categorical programs. Capital grants and contributions consist of State modernization and construction funds.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	$ 226,434,306	$ 227,669,603	$ 185,806,958	$ 182,477,074
Instruction-related activities	28,993,971	27,282,410	26,015,889	24,108,587
Pupil services	54,688,055	50,735,584	29,369,814	24,466,451
Administration	18,156,621	16,603,683	17,168,322	15,470,227
Plant services	37,718,947	32,263,679	37,146,934	32,011,132
Other	24,099,930	27,145,731	20,849,222	27,444,808
Total	**$ 390,091,830**	**$ 381,700,690**	**$ 316,357,139**	**$ 305,978,279**

The main reason for the year-to-year changes in total cost of services is due to increases in salary and benefit expenditures, increases in other operating expenditures, and the purchase of 21st Century classroom furniture.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $130,911,487, which is an increase of $11,128,393 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2015	Revenues	Expenditures	June 30, 2016
General Fund	$ 26,678,782	$ 367,948,215	$ 350,063,646	$ 44,563,351
Building	43,079,830	252,220	6,337,437	36,994,613
Capital Facilities Fund	29,107,240	7,044,830	14,587,034	21,565,036
Bond Interest and Redemption Fund	10,797,407	19,327,499	11,165,334	18,959,572
Cafeteria Fund	8,779,540	24,672,153	24,999,490	8,452,203
County School Facilities Fund	363,998	3,476	14,813	352,661
Special Reserve Fund for Capital Outlay Projects	976,297	2,085	954,331	24,051
Total	**$ 119,783,094**	**$ 419,250,478**	**$ 408,122,085**	**$ 130,911,487**

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The actual fund balance during the 2015-2016 fiscal year increased approximately $17.8 million primarily due to an increase in LCFF revenues and One Time Mandated Cost revenue.

2. The Building Fund decrease of $6 million is attributed to modernization/construction projects.

3. Our Capital Facilities Fund revenue was $7.0 million and expenditures were $14.5 million for a decrease in fund balance of $7.5 million. Expenditures include debt service payments in the amount of $10.3 million and the acquisition of the Lincoln Property for $3.0 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 2016. (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 71.)

1. General Fund final budgeted ending fund balance increased by approximately $19 million over the original projection. A total of $8.9 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, 2016, the District had $277,279,510 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $2,184,282, or 0.8 percent, from last year.

Table 5

	Governmental Activities	
	2016	2015
Land and construction in process	$ 16,420,944	$ 8,737,722
Buildings and improvements	252,524,455	259,339,496
Furniture and equipment	8,334,111	7,018,010
Total	**$ 277,279,510**	**$ 275,095,228**

This year's increase of $2.1 million is due primarily to the acquisition of the Lincoln Property.

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

Long-Term Obligations

At the end of this year, the District had $203,163,195 in long-term obligations outstanding versus $217,514,748 last year, a decrease of 6.6 percent. The long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds (financed with property taxes)	$ 151,036,305	$ 156,852,435
Premium on issuance	13,647,446	15,118,078
Certificates of participation (net of discount)	5,000,000	14,863,211
Other postemployment benefits	24,840,560	21,378,344
Other	8,638,884	9,302,680
Total	**$ 203,163,195**	**$ 217,514,748**

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 $151,036,305 is significantly below statutorily-imposed limit.

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

Net Pension Liability (NPL)

At year end, the District had a net pension liability of $282,946,822 as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:

The District initiated a $3.2 million project to provide 217 classrooms with 21st Century classroom furniture.

The Katella High School DROPS site improvement is in Phase 1 with a budget of $12.8 million. Other projects are in the planning phase.

The District received the California Career Technical Education Incentive Grant (CTEIG) in the amount of $5.4 million. The purpose of this program is to encourage the development of new career technical education (CTE) programs and enhance and maintain current CTE programs during implementation of the local control funding formula (LCFF).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Adopted Budget for the 2016-2017 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 0.00 percent.
2. Average Daily Attendance (ADA) was budgeted at a 312 decrease from prior year.
3. The GAP funding rate was 54.84 percent.
4. The unduplicated enrollment count percentage used was 71.91 percent.
5. Federal income was not increased or decreased other than for an estimated carryover.
6. State lottery was budgeted at $181 per ADA.
7. Grants include estimated carryover from 2015-2016, and are adjusted to actual after June 30, 2016.
8. Interest rate for Cash in County budgeted at 0.77 percent.
9. Certificated negotiations for the 2016-2017 fiscal year were not complete. The budget was reduced by $500,000 for attrition.
10. Classified negotiations for the 2016-2017 fiscal year were not complete. The budget was reduced by $500,000 for attrition.
11. Health and welfare costs were budgeted for overall increase due to estimated increase in premiums. Workers' Compensation was budgeted to decrease 2.3 percent due to premium reduction.
12. Routine restricted maintenance expenditures include three percent of total budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 156,598,256
Receivables	16,495,632
Prepaid expenses	1,604,798
Stores inventories	712,110
Capital assets	
Land and construction in process	16,420,944
Other capital assets	407,776,465
Less: Accumulated depreciation	(146,917,899)
Total Capital Assets	277,279,510
Total Assets	452,690,306
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,622,524
Deferred outflows of resources related to pensions	61,252,683
Total Deferred Outflows of Resources	62,875,207
LIABILITIES	
Accounts payable	24,407,953
Accrued interest payable	2,627,393
Unearned revenue	2,528,957
Claims liability	4,018,533
Long-term obligations:	
Current portion of long-term obligations other than pensions	18,010,038
Noncurrent portion of long-term obligations other than pensions	185,153,157
Total Long-Term Obligations	203,163,195
Aggregate net pension liability	282,946,822
Total Liabilities	519,692,853
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	56,339,049
NET POSITION	
Net investment in capital assets	152,133,818
Restricted for:	
Debt service	20,158,542
Capital projects	18,091,334
Educational programs	8,994,477
Other activities	21,823,390
Unrestricted (Deficit)	(281,667,950)
Total Net Position	$ (60,466,389)

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, 2016

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities:			
Instruction	$ 226,434,306	$ 772,745	$ 39,851,128
Instruction-related activities:			
Supervision of instruction	6,484,182	2,870	2,290,381
Instructional library, media, and technology	1,674,162	-	4,047
School site administration	20,835,627	10,224	670,560
Pupil services:			
Home-to-school transportation	7,406,946	5,258	93,973
Food services	25,311,279	2,308,646	19,768,647
All other pupil services	21,969,830	11,192	3,130,525
General administration:			
Data processing	4,742,498	-	-
All other general administration	13,414,123	9	988,290
Plant services	37,718,947	53,639	518,374
Ancillary services	5,246,837	-	899,384
Community services	839,241	-	89,101
Interest on long-term obligations	4,455,764	-	-
Other outgo	13,558,088	34,539	2,227,684
Total Governmental Activities	$ 390,091,830	$ 3,199,122	$ 70,532,094

General Revenues and Subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Program Revenues	Net (Expenses) Revenues and Changes in Net Position
Capital Grants and Contributions	Total
$ 3,475	$ (185,806,958)
-	(4,190,931)
-	(1,670,115)
-	(20,154,843)
-	(7,307,715)
-	(3,233,986)
-	(18,828,113)
-	(4,742,498)
-	(12,425,824)
-	(37,146,934)
-	(4,347,453)
-	(750,140)
-	(4,455,764)
-	(11,295,865)
$ 3,475	(316,357,139)
	78,675,692
	19,268,053
	2,611,083
	232,344,101
	791,426
	10,780,932
	344,471,287
	28,114,148
	(88,580,537)
	$ (60,466,389)

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 65,498,695	$ 39,308,148	$ 13,020,229
Receivables	13,377,806	25,629	5,558
Due from other funds	2,391,015	369	9,000,000
Prepaid expenditures	1,604,798	-	-
Stores inventories	539,431	-	-
Total Assets	$ 83,411,745	$ 39,334,146	$ 22,025,787
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 19,554,575	$ 2,339,533	$ 460,751
Due to other funds	16,800,369	-	-
Unearned revenue	2,493,450	-	-
Total Liabilities	38,848,394	2,339,533	460,751
Fund Balances:			
Nonspendable	2,299,229	-	-
Restricted	8,994,477	36,994,613	21,565,036
Assigned	19,602,079	-	-
Unassigned	13,667,566	-	-
Total Fund Balances	44,563,351	36,994,613	21,565,036
Total Liabilities and Fund Balances	$ 83,411,745	$ 39,334,146	$ 22,025,787

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 18,959,572	$ 8,507,343	$ 145,293,987
-	3,038,424	16,447,417
-	-	11,391,384
-	-	1,604,798
-	172,679	712,110
$ 18,959,572	$ 11,718,446	$ 175,449,696
$ -	$ 463,009	$ 22,817,868
-	2,391,015	19,191,384
-	35,507	2,528,957
-	2,889,531	44,538,209
-	172,679	2,471,908
18,959,572	8,632,185	95,145,883
-	24,051	19,626,130
-	-	13,667,566
18,959,572	8,828,915	130,911,487
$ 18,959,572	$ 11,718,446	$ 175,449,696

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds		**$ 130,911,487**
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	$ 424,197,409	
Accumulated depreciation is the following	(146,917,899)	
Net Capital Assets		277,279,510
Deferred gains or losses on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities expense.		1,622,524
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		23,788,406
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.		(2,627,393)
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:		13,543,866
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		4,520,778
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.		(19,582,270)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2016

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		$ 712,838
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(4,526,118)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(282,946,822)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ 144,803,955	
Premium on issuance, net of amortization	13,647,446	
Certificates of participation	5,000,000	
Capital lease	311,428	
Property and liability	292,000	
Accumulated vacation	1,863,160	
Supplemental early retirement plan	6,172,296	
Other postemployment benefits	24,840,560	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	6,232,350	
Total Long-Term Obligations		(203,163,195)
Total Net Position - Governmental Activities		**$ (60,466,389)**

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, 2016

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 287,388,003	$ -	$ -
Federal sources	17,903,802	-	-
Other State sources	55,198,786	-	-
Other local sources	7,064,252	252,220	5,219,858
Total Revenues	367,554,843	252,220	5,219,858
EXPENDITURES			
Current			
Instruction	220,153,838	-	-
Instruction-related activities:			
Supervision of instruction	6,399,734	-	-
Instructional library, media, and technology	1,640,311	-	-
School site administration	19,847,808	-	-
Pupil services:			
Home-to-school transportation	7,004,122	-	-
Food services	29,017	-	-
All other pupil services	21,757,091	-	-
General administration:			
Data processing	4,578,627	-	-
All other general administration	12,661,693	-	28,448
Plant services	34,552,767	-	-
Facility acquisition and construction	1,013,437	6,337,437	4,253,556
Ancillary services	5,091,715	-	-
Community services	822,011	-	-
Other outgo	13,558,088	-	-
Debt service			
Principal	81,944	-	9,885,000
Interest and other	802	-	420,030
Total Expenditures	349,193,005	6,337,437	14,587,034
Excess (Deficiency) of Revenues Over Expenditures	18,361,838	(6,085,217)	(9,367,176)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	1,824,972
Other sources - proceeds from a capital lease	393,372	-	-
Transfers out	(870,641)	-	-
Net Financing Sources (Uses)	(477,269)	-	1,824,972
NET CHANGE IN FUND BALANCES	17,884,569	(6,085,217)	(7,542,204)
Fund Balances - Beginning	26,678,782	43,079,830	29,107,240
Fund Balances - Ending	$ 44,563,351	$ 36,994,613	$ 21,565,036

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 287,388,003
-	20,445,401	38,349,203
136,106	1,482,137	56,817,029
19,191,393	2,750,176	34,477,899
19,327,499	24,677,714	417,032,134
-	-	220,153,838
-	-	6,399,734
-	-	1,640,311
-	-	19,847,808
-	-	7,004,122
-	24,241,272	24,270,289
-	-	21,757,091
-	-	4,578,627
-	-	12,690,141
-	468,265	35,021,032
-	304,766	11,909,196
-	-	5,091,715
-	-	822,011
-	-	13,558,088
6,505,000	-	16,471,944
4,660,334	-	5,081,166
11,165,334	25,014,303	406,297,113
8,162,165	(336,589)	10,735,021
-	-	1,824,972
-	-	393,372
-	(954,331)	(1,824,972)
-	(954,331)	393,372
8,162,165	(1,290,920)	11,128,393
10,797,407	10,119,835	119,783,094
$ 18,959,572	$ 8,828,915	$ 130,911,487

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR-

Total Net Change in Fund Balances - Governmental Funds			**$**	**11,128,393**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:				
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.				
This is the amount by which capital outlays exceeds depreciation in the period.				
Capital outlays	$	10,594,477		
Depreciation expense		(8,262,598)		2,331,879
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.				(147,597)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.				(393,372)
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 $382,162. Special termination benefits added was less than the amount paid by $1,376,414. Other postemployment benefits paid was less than the amount earned by $3,462,216.				(2,467,964)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.				399,936
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.				(19,028)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR-ENDED JUNE 30, 2016

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	$ 6,505,000	
Certificates of participation	9,885,000	
Capital lease obligations	81,944	$ 16,471,944
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	1,470,632	
Amortization of debt discount	(21,789)	
Amortization of deferred amount on refunding	(183,682)	1,265,161
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 decreased by $68,139, and second, $688,870 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and certificates of participation.		(620,731)
An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.		165,527
Change in Net Position of Governmental Activities		**$ 28,114,148**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 11,304,269
Receivables	48,215
Due from other funds	7,800,000
Total Current Assets	19,152,484
LIABILITIES	
Current Liabilities	
Accounts payable	1,590,085
Current portion of claims liability	3,699,364
Total Current Liabilities	5,289,449
Noncurrent Liabilities	
Claims liability	319,169
Total Liabilities	5,608,618
NET POSITION	
Restricted	13,543,866
Total Net Position	$ 13,543,866

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, 2016

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 48,093,404
OPERATING EXPENSES	
Professional and contract services	48,023,042
Operating Profit	70,362
NONOPERATING REVENUES	
Interest income	95,165
Change in Net Position	165,527
Total Net Position - Beginning	13,378,339
Total Net Position - Ending	$ 13,543,866

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, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 43,919,517
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(47,559,245)
Net Cash Used in Operating Activities	(3,639,728)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	95,165
Net Decrease in Cash and Cash Equivalents	(3,544,563)
Cash and Cash Equivalents - Beginning	14,848,832
Cash and Cash Equivalents - Ending	$ 11,304,269
RECONCILIATION OF OPERATING PROFIT TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating profit	$ 70,362
Changes in assets and liabilities:	
Receivables	(35,049)
Due from other funds	(4,138,838)
Accounts payable	452,971
Claims liability	10,826
NET CASH USED IN OPERATING ACTIVITIES	$ (3,639,728)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

		Agency Funds
ASSETS		
Deposits and investments	$	2,232,913
Receivables		78,886
Stores inventories		6,324
Total Assets	$	2,318,123
LIABILITIES		
Accounts payable	$	12,872
Due to student groups		2,305,251
Total Liabilities	$	2,318,123

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

As a result, the General Fund reflects an increase in fund balance of $2,131,610, an increase of revenues and other financing sources of $2,479, and a decrease in expenditures and other financing uses of $629,131.

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).

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).

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).

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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2016, 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 fiduciary type funds when used.

Deferred Charges

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report net position restricted by enabling legislation of $69,067,743.

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 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 District has implemented the provisions of this Statement as of June 30, 2016.

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 provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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 non-authoritative 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 District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

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

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$	156,598,256
Fiduciary funds		2,232,913
Total Deposits and Investments	$	158,831,169

Deposits and investments as of June 30, 2016, consisted of the following:

Cash on hand and in banks	$	14,649,791
Cash in revolving		155,000
Investments		144,026,378
Total Deposits and Investments	$	158,831,169

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	Carrying Value	Maturity Date/ Average Maturity in Days
Abbey National Treasury Commercial Paper	$ 3,823,531	12/23/2016
First American Treasury Obligations	2,832	35
Orange County Treasury Investment Pool	140,200,015	339
Total	$ 144,026,378	

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. The First American Treasury Obligations reflected an Aaa-mf rating by Moody's. The Abbey National Treasury commercial paper reflected a P-1 rating by Moody's.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. Monies so deposited shall be in a fully-secured or collateralized account or instruments. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $14,489,619 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using		
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized
Abbey National Treasury Commercial Paper	$ 3,823,531	$ -	$ 3,823,531	$ -
First American Treasury Obligations	2,832	2,832	-	-
Orange County Treasury Investment Pool	140,200,015	-	-	140,200,015
Total	$ 144,026,378	$ 2,832	$ 3,823,531	$ 140,200,015

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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	Fiduciary Fund
Federal Government							
Categorical aid	$ 4,308,326	$ -	$ -	$ 2,743,547	$ -	$ 7,051,873	$ -
State Government	-						
Categorical aid	223,336	-	-	218,119	-	441,455	-
Lottery	3,405,556	-	-	-	-	3,405,556	-
Special Education	828,624	-	-	-	-	828,624	-
Local Government							
Interest	92,967	25,629	5,558	229	5,937	130,320	-
Greater Anaheim							
SELPA	763,999	-	-	-	-	763,999	-
North Orange County							
ROP	2,109,663	-	-	-	-	2,109,663	-
Due from other LEAs	1,028,088	-	-	-	-	1,028,088	-
Other local sources	617,247	-	-	76,529	42,278	736,054	78,886
Total	$ 13,377,806	$ 25,629	$ 5,558	$ 3,038,424	$ 48,215	$ 16,495,632	$ 78,886

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 5,869,831	$ 3,193,391	$ -	$ 9,063,222
Construction in process	2,867,891	4,669,439	179,608	7,357,722
Total Capital Assets Not Being Depreciated	8,737,722	7,862,830	179,608	16,420,944
Capital Assets Being Depreciated				
Land improvements	23,366,089	408,836	-	23,774,925
Buildings and improvements	363,574,284	91,025	569,341	363,095,968
Furniture and equipment	11,523,528	1,856,617	19,781	13,360,364
Vehicles	7,115,078	554,777	124,647	7,545,208
Total Capital Assets Being Depreciated	405,578,979	2,911,255	713,769	407,776,465
Total Capital Assets	414,316,701	10,774,085	893,377	424,197,409
Less Accumulated Depreciation				
Land improvements	18,427,340	336,389	-	18,763,729
Buildings and improvements	109,173,537	6,844,927	435,755	115,582,709
Furniture and equipment	6,819,325	783,789	5,770	7,597,344
Vehicles	4,801,271	297,493	124,647	4,974,117
Total Accumulated Depreciation	139,221,473	8,262,598	566,172	146,917,899
Governmental Activities Capital Assets, Net	$ 275,095,228	$ 2,511,487	$ 327,205	$ 277,279,510

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

Governmental Activities	
Instruction	$ 5,205,436
School site administration	661,008
Home-to-school transportation	247,878
Food services	743,634
Data processing	82,626
All other general administration	413,130
Plant services	908,886
Total Depreciation Expenses Governmental Activities	$ 8,262,598

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 2,391,015	$ 2,391,015
Building Fund	369	-	369
Capital Facilities Fund	9,000,000	-	9,000,000
Internal Service Fund	7,800,000	-	7,800,000
Total	$ 16,800,369	$ 2,391,015	$ 19,191,384

The balance of $2,391,015 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

The balance of $369 is due to the Building Fund from the General Fund for service costs.

The balance of $9,000,000 is due to the Capital Facilities Fund from the General Fund to cover cash flow.

The balance of 7,800,000 is due to the Internal Service Fund from the General Fund to cover cash flow.

Operating Transfers

Interfund transfers for the year-ended June 30, 2016, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Capital Facilities Fund	$ 870,641	$ 954,331	$ 1,824,972

The General Fund transferred to the Capital Facilities Fund to pay debt service payments for the certificates of participation.	$ 870,641
The Special Reserve (Non-Major Governmental) Fund for Capital Projects transferred to the Capital Facilities Fund to pay debt service payments for the certificates of participation.	954,331
Total	$ 1,824,972

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, 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	$ 5,815,687	$ -	$ -	$ -	$ -	$ 5,815,687	$ -
LCFF apportionment	8,497,523	-	-	-	-	8,497,523	-
Books and supplies	841,633	969,225	-	361,908	-	2,172,766	-
Services	2,527,704	-	220,400	98,691	1,590,085	4,436,880	-
Construction	899,506	1,370,308	240,351	-	-	2,510,165	-
Greater Anaheim SELPA	208,861	-	-	-	-	208,861	-
North Orange County ROP	454,357	-	-	-	-	454,357	-
Orange County Department of Education	241,645	-	-	-	-	241,645	-
Other	67,659	-	-	2,410	-	70,069	12,872
Total	$ 19,554,575	$ 2,339,533	$ 460,751	$ 463,009	$ 1,590,085	$ 24,407,953	$ 12,872

NOTE 8 - UNEARNED REVENUES

Unearned revenues at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 118,997	$ -	$ 118,997
State categorical aid	2,367,956	-	2,367,956
Other local	6,497	35,507	42,004
Total	$ 2,493,450	$ 35,507	$ 2,528,957

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, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 156,852,435	$ 688,870	$ 6,505,000	$ 151,036,305	$ 14,140,000
Premium on issuance	15,118,078	-	1,470,632	13,647,446	-
Certificates of participation	14,885,000	-	9,885,000	5,000,000	-
Discount on issuance	(21,789)	-	(21,789)	-	-
Property and liability	272,972	654,133	635,105	292,000	-
Accumulated vacation - net	1,480,998	382,162	-	1,863,160	-
Capital leases	-	393,372	81,944	311,428	75,023
Supplemental early retirement plan	7,548,710	166,660	1,543,074	6,172,296	1,543,074
Other postemployment benefits	21,378,344	5,714,157	2,251,941	24,840,560	2,251,941
	$ 217,514,748	$ 7,999,354	$ 22,350,907	$ 203,163,195	$ 18,010,038

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Accreted	Redeemed	Bonds Outstanding June 30, 2016
6/6/02	8/1/26	3.00% - 5.70%	$ 91,999,603	$ 4,490,337	$ 259,585	$ -	$ 4,749,922
12/5/03	8/1/28	2.00% - 5.54%	26,999,352	6,242,098	429,285	-	6,671,383
1/13/05	8/1/25	3.00% - 5.00%	70,590,000	3,670,000	-	3,670,000	-
5/10/06	8/1/22	4.00% - 5.25%	13,000,000	1,675,000	-	805,000	870,000
10/11/12	8/1/27	2.50% - 5.00%	21,225,000	19,865,000	-	1,000,000	18,865,000
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	-	1,030,000	56,425,000
			$ 344,723,955	$ 156,852,435	$ 688,870	$ 6,505,000	$ 151,036,305

2002 General Obligation Bonds, Series A

On June 6, 2002, the District issued $91,999,603 aggregate original principal amount of 2002 General Obligation Bonds, Series A. The bonds issued included $89,790,000 of current interest bonds and $2,209,603 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of $8,570,000. The bonds mature through August 1, 2026, with interest yields ranging from 3.00 to 5.70 percent. On January 13, 2005, $67,565,000 of the bonds were advanced refunded with proceeds from the 2005 General Obligation Refunding Bonds. At June 30, 2016, the principal balance outstanding (including accreted interest to date) was $4,749,922 and unamortized premium was $907,757.

2003 General Obligation Bonds, Series B

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

As a result of the issuance of the 2012 General Obligation Refunding Bonds, a partial funding of $21,985,000 was affected for these bonds. As of June 30, 2016, the principal balance outstanding (including accreted interest to date) was $6,671,383.

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, with interest yields ranging from 3.00 to 5.00 percent.

The bonds were issued to refund $67,565,000 of the outstanding 2002 General Obligation Bonds, Series A. 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, 2016, the final debt service payment has been made and, accordingly, the 2005 General Obligation Refunding Bonds have been fully defeased.

2002 General Obligation Bonds, Series 2006 C

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

As a result of the issuance of the 2015 General Obligation Refunding Bonds, a partial funding of $6,495,000 was affected for these bonds. As June 30, 2016, the principal balance outstanding was $870,000.

2012 General Obligation Refunding Bonds

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

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

As of June 30, 2016, the principal balance outstanding was $18,865,000, and unamortized premium was $1,541,018.

2014 General Obligation Bonds, Series 2015

On May 7, 2015, the District issued $63,455,000 of the 2014 General Obligation Bonds, Series 2015. The bonds mature through August 1, 2040, with interest yields ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance school improvements, including prepayment on a current basis of lease payments associated with certain of the District's outstanding certificates of participations, and to pay costs of issuance. At June 30, 2016, the principal balance outstanding was $63,455,000 and unamortized premium was $2,786,914.

2015 General Obligation Refunding Bonds

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

The bonds were issued to refund $58,320,000 of the outstanding 2005 General Obligation Refunding Bonds and $6,495,000 of the outstanding 2002 General Obligation Bonds, Series 2006C. As of June 30, 2016, the principal balance of $56,425,000 remained outstanding and unamortized premium was $8,411,757.

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
2017	$ 14,140,000	$ -	$ 5,952,244	$ 20,092,244
2018	13,135,000	-	5,270,369	18,405,369
2019	5,965,000	-	4,792,869	10,757,869
2020	6,435,000	-	4,482,869	10,917,869
2021	6,905,000	-	4,149,369	11,054,369
2022-2026	40,720,000	-	15,142,856	55,862,856
2027-2031	31,171,305	12,188,695	7,871,859	51,231,859
2032-2036	14,240,000	-	4,891,574	19,131,574
2037-2041	18,325,000	-	1,927,100	20,252,100
Total	$ 151,036,305	$ 12,188,695	$ 54,481,109	$ 217,706,109

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2015	Redeemed	Outstanding June 30, 2016
8/27/04	9/1/24	4.00-5.13%	$ 15,000,000	$ 9,885,000	$ 9,885,000	$ -
12/23/03	12/23/18	-	5,000,000	5,000,000	-	5,000,000
				$ 14,885,000	$ 9,885,000	$ 5,000,000

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. With proceeds from the issuance of the 2014 General Obligation Bonds, Series 2015, the District including effected a prepayment on a current basis of lease payments associated with the certificates of participation. As a result, as of June 30, 2016, the 2004 Certificates of Participation, Series A, B, and C have been fully defeased.

2003 Qualified Zone Academy Bond Certificates of Participation

On December 23, 2003, the District issued $5,000,000 of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 23, 2018. The District received net proceeds of $4,941,850 (after payment of $58,150 in underwriter fees, insurance, and other issuance costs). At June 30, 2016, the principal balance outstanding was $5,000,000.

Property and Liability

The District has a property and liability program balance of $292,000 at June 30, 2016.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $1,863,160.

Capital Lease

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

	Buses
Balance, July 1, 2015	$ -
Additions	413,730
Payments	(82,746)
Balance, June 30, 2016	$ 330,984

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2017	$ 82,746
2018	82,746
2019	82,746
2020	82,746
Total	330,984
Less: Amount Representing Interest	19,556
Present Value of Minimum Lease Payments	$ 311,428

Supplemental Early Retirement Plan (SERP)

During the 2014-2015 and 2015-2016 fiscal years, the District adopted supplemental early retirement plans whereby certain eligible certificated employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The 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	$ 1,543,074
2017	1,543,074
2018	1,543,074
2019	1,543,074
Total	$ 6,172,296

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $6,095,335, and contributions made by the District during the year were $2,251,941. Interest on the net OPEB obligation and adjustments to the annual required contribution were $855,134 and $(1,236,312), respectively, which resulted in an increase to the net OPEB obligation of $3,462,216. As of June 30, 2016, the net OPEB obligation was $24,840,560. 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	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 155,000	$ -	$ -	$ -	$ -	$ 155,000
Stores inventories	539,431	-	-	-	172,679	712,110
Prepaid expenditures	1,604,798	-	-	-	-	1,604,798
Total Nonspendable	2,299,229	-	-	-	172,679	2,471,908
Restricted						
Legally restricted programs	8,994,477	-	-	-	-	8,994,477
Nutrition services	-	-	-	-	8,279,524	8,279,524
Capital projects	-	36,994,613	17,738,673	-	352,661	55,085,947
Debt services	-	-	3,826,363	18,959,572	-	22,785,935
Total Restricted	8,994,477	36,994,613	21,565,036	18,959,572	8,632,185	95,145,883
Assigned						
Graphic arts equipment	85,000	-	-	-	-	85,000
Department allocation	150,000	-	-	-	-	150,000
Technology refresh program	200,000	-	-	-	-	200,000
Site beautification	200,000	-	-	-	-	200,000
MAA reserve	240,000	-	-	-	-	240,000
Innovation grants	250,000	-	-	-	-	250,000
District branding (3 years)	450,000	-	-	-	-	450,000
LCFF carryover	471,853	-	-	-	-	471,853
2016-17 new positions	540,500	-	-	-	-	540,500
School site carryover	753,000	-	-	-	-	753,000
Buses, student tracking, fuel station	1,825,000	-	-	-	-	1,825,000
ROP adult education	2,200,000	-	-	-	-	2,200,000
Mandated costs reimbursement 15-16 1-time	10,105,116	-	-	-	-	10,105,116
Deferred maintenance	2,131,610	-	-	-	-	2,131,610
Capital projects	-	-	-	-	24,051	24,051
Total Assigned	19,602,079	-	-	-	24,051	19,626,130
Unassigned						
Reserve for economic uncertainties	10,520,784	-	-	-	-	10,520,784
Remaining unassigned	3,146,782	-	-	-	-	3,146,782
Total Unassigned	13,667,566	-	-	-	-	13,667,566
Total	$ 44,563,351	$ 36,994,613	$ 21,565,036	$ 18,959,572	$ 8,828,915	$ 130,911,487

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 589 retirees and beneficiaries currently receiving benefits, and 2,642 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Anaheim Secondary Teachers Association (ASTA), the local California School Employees Association (CSEA), Anaheim Personnel and Guidance Association (APGA), American Federal of State, County and Municipal Employees (AFSCME), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. No additional amount to prefund benefits has been determined through the agreements between the District, ASTA, CSEA, APGA, AFSCME, and the unrepresented groups. For fiscal year 2015-2016, the District contributed $2,251,941 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	855,134
Adjustment to annual required contribution	(1,236,312)
Annual OPEB cost (expense)	5,714,157
Contributions made	(2,251,941)
Increase in net OPEB obligation	3,462,216
Net OPEB obligation, beginning of year	21,378,344
Net OPEB obligation, end of year	$ 24,840,560

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
2014	$ 5,599,378	$ 1,873,447	33%	$ 17,548,662
2015	5,782,440	1,952,758	34%	21,378,344
2016	5,714,157	2,251,941	39%	24,840,560

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%	$ 204,621,490	28%

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, 2016, was 22 years.

NOTE 12 - RISK MANAGEMENT - CLAIMS

Description

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

The District participates in the Southern California Regional Liability Excess Fund for property and liability coverage. 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, 2014 to June 30, 2016:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 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
Claims and changes in estimates	4,799	25,027,332	25,032,131
Claims payments	(59,033)	(24,962,272)	(25,021,305)
Liability Balance, June 30, 2016	$ 378,202	$ 3,640,331	$ 4,018,533
Assets available to pay claims at June 30, 2016	$ 1,259,608	$ 16,302,791	$ 17,562,399

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 209,282,863	$ 37,793,334	$ 37,046,647	$ 16,742,673
CalPERS	73,663,959	23,459,349	19,292,402	6,645,798
Total	$ 282,946,822	$ 61,252,683	$ 56,339,049	$ 23,388,471

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, 2014, 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, 2016, 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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $16,637,582.

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

At June 30, 2016, 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	$	209,282,863
State's proportionate share of the net pension liability associated with the District		110,687,564
Total	$	319,970,427

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.3109 percent and 0.3034 percent, resulting in a net increase in the proportionate share of 0.0075 percent.

For the year ended June 30, 2016, the District recognized pension expense of $16,742,673. In addition, the District recognized pension expense and revenue of $8,573,995 for support provided by the State. At June 30, 2016, 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	$ 16,637,582	$ -
Net change in proportionate share of net pension liability	4,666,224	-
Difference between projected and actual earnings on pension plan investments	16,489,528	33,549,481
Differences between expected and actual experience in the measurement of the total pension liability	-	3,497,166
Total	$ 37,793,334	$ 37,046,647

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (7,060,779)
2018	(7,060,779)
2019	(7,060,779)
2020	4,122,384
Total	$ (17,059,953)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 194,843
2018	194,843
2019	194,843
2020	194,843
2021	194,843
Thereafter	194,843
Total	$ 1,169,058

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	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%)	$ 316,000,834
Current discount rate (7.60%)	209,282,863
1% increase (8.60%)	120,591,618

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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, 2016, 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	11.847%	11.847%

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, 2016, are presented above and the total District contributions were $7,150,824.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $73,663,959. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.4998 percent and 0.5010 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2016, the District recognized pension expense of $6,645,798. At June 30, 2016, 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	$ 7,150,824	$ -
Net change in proportionate share of net pension liability	-	145,446
Difference between projected and actual earnings on pension plan investments	12,098,521	14,620,838
Differences between expected and actual experience in the measurement of the total pension liability	4,210,004	-
Changes of assumptions	-	4,526,118
Total	$ 23,459,349	$ 19,292,402

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,848,982)
2018	(1,848,982)
2019	(1,848,982)
2020	3,024,629
Total	$ (2,522,317)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (159,159)
2018	(159,159)
2019	(143,242)
Total	$ (461,560)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 119,894,230
Current discount rate (7.65%)	73,663,959
1% increase (8.65%)	35,220,399

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 $9,718,629 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Ball JHS - Exterior Painting	$ 5,900	July 2016
District Wide Paving Improvements	622,646	August 2016
South JHS - Exterior Painting	151,785	August 2016
Western HS HVAC Repair	38,205	August 2016
Kennedy Roofing Project	501,478	September 2016
Oxford Academy - Roof Replacement	41,905	September 2016
Lexington JHS HVAC Project	141,622	October 2016
Katella HS DROPS Site Improvement	9,396,726	March 2017
	$ 10,900,267	

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, 2016.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

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

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

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

During the year-ended June 30, 2016, the District made payments of $9,476,325, $112,274, and $1,085,400 to NOCROP, SELF, and SCRLEF, respectively, for services rendered and pass-through funds.

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR-ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 289,462,571	$ 287,380,040	$ 287,388,003	$ 7,963
Federal sources	18,064,325	19,110,741	17,903,802	(1,206,939)
Other State sources	45,838,022	57,999,456	55,198,786	(2,800,670)
Other local sources	5,564,434	7,562,821	7,064,252	(498,569)
Total Revenues [1]	358,929,352	372,053,058	367,554,843	(4,498,215)
EXPENDITURES				
Current				
Certificated salaries	142,511,629	149,435,517	149,170,984	264,533
Classified salaries	52,176,481	54,617,773	54,615,251	2,522
Employee benefits	77,518,033	88,180,019	88,073,390	106,629
Books and supplies	35,914,505	17,780,312	15,802,205	1,978,107
Services and operating expenditures	23,635,060	25,658,610	25,049,897	608,713
Capital Outlay	7,083,508	5,095,779	2,840,443	2,255,336
Other outgo	18,274,545	13,645,835	13,640,835	5,000
Total Expenditures [1]	357,113,761	354,413,845	349,193,005	5,220,840
Excess of Revenues Over Expenditures	1,815,591	17,639,213	18,361,838	722,625
OTHER FINANCING SOURCES (USES)				
Other sources - proceeds from a capital lease	-	393,372	393,372	-
Transfers out	-	(1,500,000)	(870,641)	629,359
Net Financing Sources (Uses)	-	(1,106,628)	(477,269)	629,359
NET CHANGE IN FUND BALANCE	1,815,591	16,532,585	17,884,569	1,351,984
Fund Balance - Beginning	26,678,782	26,678,782	26,678,782	-
Fund Balance - Ending	$ 28,494,373	$ 43,211,367	$ 44,563,351	$ 1,351,984

[1] On behalf payments of $9,718,629 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts.

See accompanying note to required supplementary information.

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR-ENDED JUNE 30, 2016

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, 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%	204,621,490	28%

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR-ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.3109%	0.3034%
District's proportionate share of the net pension liability	$ 209,282,863	$ 177,288,550
State's proportionate share of the net pension liability associated with the District	110,687,564	107,054,481
Total	$ 319,970,427	$ 284,343,031
District's covered - employee payroll	$ 140,928,288	$ 136,384,781
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	148.50%	129.99%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.4998%	0.5010%
District's proportionate share of the net pension liability	$ 73,663,959	$ 56,879,614
District's covered - employee payroll	$ 54,558,219	$ 52,325,387
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	135.02%	108.70%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR-ENDED JUNE 30, 2016

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

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR-ENDED JUNE 30, 2016

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	$ 8,130,498
Title I - Part G, Advanced Placement Test Fee Reimbursement Program	84.330B	14831	189,710
Title II - Part A, Improving Teacher Quality	84.367	14341	828,211
Title II - Part B, CA Mathematics and Science Partnerships	84.366	14512	340,119
Title III - Limited English Proficiency	84.365	14346	803,682
Title III - Immigrant Education Program	84.365	15146	64,567
Carl D. Perkins Vocational and Technical Education:			
Vocational and Applied Technology - Secondary	84.048	14894	715,781
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	5,441,495
IDEA Local Assistance, Part B, Section 611 Private School	84.027	10115	3,356
IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	343,635
Total Special Education (IDEA) Cluster			5,788,486
Total U.S. Department of Education			16,861,054
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	14,268,541
Especially Needy Breakfast	10.553	13526	3,754,540
Meal Supplements	10.556	13392	487,553
Summer Lunch Program	10.559	13004	87,406
Food Distribution	10.555	13396	1,847,361
Total U.S. Department of Agriculture			20,445,401

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR-ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health and Human Services:			
Medi-Cal Assistance Program:			
Medi-Cal Administrative Activities	93.778	10060	$ 143,870
Medi-Cal Billing Option	93.778	10013	1,017,787
Total Medi-Cal Assistance Program			1,161,657
Youth Risk Behavior Survey Participation	93.079	01031	400
Total U.S. Department of Health and Human Services			1,162,057
NATIONAL SCIENCE FOUNDATION			
Passed through California State University Fullerton Auxiliary Services Corporation			
Education and Human Resources	47.076	S-5800-AUHSD	137,047
U.S. DEPARTMENT OF DEFENSE			
Passed through the Orange County Department of Education:			
Junior Reserve Officers Training Corps - Army	12.000	[1]	404,338
Junior Reserve Officers Training Corps - Navy	12.000	JROTC153S	88,166
Total U.S. Department of Defense			492,504
Total Expenditures of Federal Awards			$ 39,098,063

[1] - PCA number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
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
Jaron Fried	Assistant Superintendent, Educational Services
Brad Jackson	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR-ENDED JUNE 30, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	9,716.78	9,712.92
Ninth through twelfth	19,943.24	19,830.26
Total Regular ADA	29,660.02	29,543.18
Extended Year Special Education		
Seventh and eighth	22.02	22.02
Ninth through twelfth	64.33	64.33
Total Extended Year Special Education	86.35	86.35
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	6.01	6.07
Ninth through twelfth	20.09	19.08
Total Special Education, Nonpublic, Nonsectarian Schools	26.10	25.15
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.72	0.72
Ninth through twelfth	2.84	2.84
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.56	3.56
Total ADA	29,776.03	29,658.24

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR-ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,560	180	-	Complied
Grade 8		61,560	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,184	180	-	Complied
Grade 10		65,184	180	-	Complied
Grade 11		65,184	180	-	Complied
Grade 12		65,184	180	-	Complied

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR-ENDED JUNE 30, 2016

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR-ENDED JUNE 30, 2016

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND [4]				
Revenues	$ 369,064,298	$ 367,552,364	$ 327,517,298	$ 304,688,695
Other sources and transfers in	-	393,372	-	-
Total Revenues and Other Sources	369,064,298	367,945,736	327,517,298	304,688,695
Expenditures	(364,394,862)	(349,192,777)	(332,283,416)	(300,654,102)
Other uses and transfers out	(1,500,000)	(1,500,000)	(1,500,000)	-
Total Expenditures and Other Uses	(365,894,862)	(350,692,777)	(333,783,416)	(300,654,102)
INCREASE (DECREASE) IN FUND BALANCE	$ 3,169,436	$ 17,252,959	$ (6,266,118)	$ 4,034,593
ENDING FUND BALANCE	$ 45,601,177	$ 42,431,741	$ 25,178,782	$ 31,444,900
AVAILABLE RESERVES [2]	$ 16,793,610	$ 13,667,566	$ 11,274,016	$ 11,564,585
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	4.59%	3.90%	3.30%	3.94%
LONG-TERM OBLIGATIONS	N/A	$ 203,163,195	$ 217,514,748	$ 167,013,715
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	29,956	29,776	30,047	30,339

The General Fund balance has increased by $10,986,841 over the past two years. The fiscal year 2016-2017 budget projects an increase of $3,169,436 (7.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have increased by $36,149,480 over the past two years.

Average daily attendance has decreased by 563 over the past two years. However, a growth of 180 ADA is anticipated during fiscal year 2016-2017.

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1 Budget 2017 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 and 2014. The District recorded on behalf payments of $9,718,629 in its final budget and actual revenue and expenditure for the year ending June 30, 2016.

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

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ 8,116,041	$ 367,251	$ 24,051	$ 8,507,343
Receivables	3,038,195	229	-	3,038,424
Stores inventories	172,679	-	-	172,679
Total Assets	$ 11,326,915	$ 367,480	$ 24,051	$ 11,718,446
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 448,190	$ 14,819	$ -	$ 463,009
Due to other funds	2,391,015	-	-	2,391,015
Unearned revenue	35,507	-	-	35,507
Total Liabilities	2,874,712	14,819	-	2,889,531
Fund Balances:				
Nonspendable	172,679	-	-	172,679
Restricted	8,279,524	352,661	-	8,632,185
Assigned	-	-	24,051	24,051
Total Fund Balances	8,452,203	352,661	24,051	8,828,915
Total Liabilities and Fund Balances	$ 11,326,915	$ 367,480	$ 24,051	$ 11,718,446

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2016

	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 20,445,401	$ -	$ -	$ 20,445,401
Other State sources	1,482,137	-	-	1,482,137
Other local sources	2,744,615	3,476	2,085	2,750,176
Total Revenues	24,672,153	3,476	2,085	24,677,714
EXPENDITURES				
Current				
Pupil services:				
Food services	24,241,272	-	-	24,241,272
Plant services	468,265	-	-	468,265
Facility acquisition and construction	289,953	14,813	-	304,766
Total Expenditures	24,999,490	14,813	-	25,014,303
Excess (Deficiency) of Revenues Over Expenditures	(327,337)	(11,337)	2,085	(336,589)
OTHER FINANCING USES				
Transfers out	-	-	(954,331)	(954,331)
NET CHANGE IN FUND BALANCES	(327,337)	(11,337)	(952,246)	(1,290,920)
Fund Balances - Beginning	8,779,540	363,998	976,297	10,119,835
Fund Balances - Ending	$ 8,452,203	$ 352,661	$ 24,051	$ 8,828,915

See accompanying note to supplementary information.

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, 2016

(Dollar amounts in thousands)	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 17,904	4.9	$ 17,817	5.4	$ 17,176	5.6
State and local revenue included in Local Control Funding Formula	287,388	78.2	259,276	79.2	236,344	77.6
Other State revenue	55,199	15.0	44,283	13.5	46,221	15.2
Other local revenue	7,062	1.9	6,141	1.9	4,948	1.6
Total Revenues	367,553	100.0	327,517	100.0	304,689	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	149,172	40.5	145,898	44.6	139,747	45.9
Classified salaries	54,615	14.9	50,201	15.3	47,139	15.5
Employee benefits	88,073	24.0	78,554	24.0	64,996	21.3
Total Salaries and Benefits	291,860	79.4	274,653	83.9	251,882	82.7
Books and supplies	15,802	4.3	14,348	4.4	10,145	3.3
Contracts and operating expenses	25,050	6.8	22,557	6.8	21,326	7.0
Capital outlay	2,840	0.8	4,297	1.3	972	0.3
Other outgoing	13,641	3.7	16,428	5.0	16,329	5.4
Total Expenditures	349,193	95.0	332,283	101.4	300,654	98.7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,360	5.0	(4,766)	(1.4)	4,035	1.3
OTHER FINANCING SOURCES (USES)						
Other sources	393	0.1	-	-	-	-
Transfers out	(1,500)	(0.4)	(1,500)	(0.5)	-	-
INCREASE (DECREASE) IN FUND BALANCE	17,253	4.7	(6,266)	(1.9)	4,035	1.3
FUND BALANCE, BEGINNING	25,179		31,445		27,410	
FUND BALANCE, ENDING	$ 42,432		$ 25,179		$ 31,445	
ENDING FUND BALANCE TO TOTAL REVENUE		11.5		7.7		10.3

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

CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR-ENDED JUNE 30, 2016

(Dollar amounts in thousands)	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	$ 20,445	82.8	$ 19,709	82.2	$ 19,600	81.0
State meal program	1,482	6.0	1,556	6.5	1,419	5.9
Food sales	2,387	9.7	2,382	9.9	2,710	11.2
Other	358	1.5	334	1.4	460	1.9
Total Revenues	24,672	100.0	23,981	100.0	24,189	100.0
EXPENDITURES						
Salaries and employee benefits	12,722	51.6	11,656	48.6	11,318	46.8
Food	10,095	40.9	10,027	41.8	10,274	42.5
Other	2,183	8.8	2,979	12.4	2,214	9.1
Total Expenditures	25,000	101.3	24,662	102.8	23,806	98.4
INCREASE (DECREASE) IN FUND BALANCE	(328)	(1.3)	(681)	(2.8)	383	1.6
FUND BALANCE, BEGINNING	8,780	35.6	9,461	39.4	9,078	37.5
FUND BALANCE, ENDING	$ 8,452		$ 8,780		$ 9,461	
ENDING FUND BALANCE TO TOTAL REVENUES		34.3		36.6		39.1

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2015-2016		2014-2015		2013-2014	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	379,873	7.7	313,072	6.3	309,566	6.2
Reduced price	782,195	15.8	676,363	13.6	721,074	14.4
Free	3,802,207	76.5	3,997,904	80.1	3,985,956	79.4
Total Lunches	4,964,275	100.0	4,987,339	100.0	5,016,596	100.0
BREAKFAST						
Paid	111,401	5.5	105,806	5.2	94,652	4.6
Reduced price	290,169	14.3	263,983	12.9	268,915	13.1
Free	1,624,044	80.2	1,679,986	81.9	1,691,501	82.3
Total Breakfast	2,025,614	100.0	2,049,775	100.0	2,055,068	100.0

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 38,349,203
Medi-Cal Billing Option	93.778	748,860
Total Schedule of Expenditures of Federal Awards		$ 39,098,063

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, 2016

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

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, 2016, 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 8, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Anaheim Union High School District in a separate letter dated December 8, 2016.

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 8, 2016

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

Governing Board
Anaheim Union High School District
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Anaheim Union High School District's major Federal programs for the year ended June 30, 2016. Anaheim Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaheim Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Anaheim Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Anaheim Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 8, 2016

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Anaheim Union High School District
Anaheim, California

Report on State Compliance

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2015-2016 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, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Anaheim Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Anaheim Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Anaheim Union High School District's compliance with those requirements.

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

As described in the accompanying schedule of findings and questioned costs, Anaheim Union High School District did not comply with requirements regarding the After School Education and Safety Program as identified as item 2016-001. Compliance with such requirements is necessary, in our opinion, for Anaheim Union High School District to comply with the requirements applicable to that program.

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Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Anaheim Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

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, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 8, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR-ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I - Part A, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,172,942
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

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

Name of Program
After School Education and Safety Program

ANAHEIM UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2016

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2016

The following finding represents instances of noncompliance relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2016-001 40000

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Corrective Action Plan

During the first three weeks of programming, the Anaheim Achieves staff implemented one part of the policy - mandating the parents place a code on the Student Daily Sign in Sheets and noting "unexcused" absences. Staff distributed Early Release forms to families. Staff had a difficult time getting back the Early Release forms from families during the first month of the program. The program staff were able to get forms starting the second month. Program staff have implemented the full procedure and have received all forms at this time.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2016

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

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

State Awards Findings

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* Section 19849(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**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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

Governing Board
Anaheim Union High School District
Anaheim, California

In planning and performing our audit of the financial statements of Anaheim Union High School District (the District) for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 8, 2016, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Observation

During our review of the financial statements, it was noted that 13 sites had multiple trust accounts with negative balances.

Recommendation

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

Ball Junior High School

Observations

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

1. Of 10 disbursements tested, three 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. Of 10 disbursements tested, one was not adequately supported by an invoice.
3. Of 10 disbursements tested, all 10 lacked a second signature on the checks.
4. Revenue potential forms are not being used to document and control fundraising 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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Recommendations

1. 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. The site should maintain proper documentation of expenditures including invoices and receipts. The ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.
3. The site should ensure that all disbursements checks are signed by two individuals to increase controls over disbursement and accountability of all transactions.
4. The 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 form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.

Lexington Junior High School

Observations

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

1. Of 13 disbursements tested, three 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. Of 13 disbursements tested, one was not adequately supported by an invoice.
3. A master ticket log is not being used by the sites to account for all tickets on hand and used during the year.

Recommendations

1. 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. The site should maintain proper documentation of expenditures including invoices and receipts. The ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.
3. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Anaheim High School

Observations

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

1. Of 15 disbursements tested, two 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. The three tested revenue potential forms did not indicate actual income and expenditures for the associated fundraising event. Additionally, no ASB approval was indicated for each fundraiser within the ASB minutes.
3. The site does not maintain an inventory count of the food inventory items purchased or sold; therefore, no accountability exists for the inventory. In addition, there is no reconciliation being performed between the daily student store sales and the amount of inventory sold.

Recommendations

1. 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. The ASB should require all completed revenue potential forms to be forwarded to the ASB advisor to be reviewed. A third party review of completed revenue potential forms would ensure that the ASBs are adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.
3. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity and profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the ASB of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Magnolia High School

Observations

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

1. One of the two tested revenue potential forms did not indicate a reason for differences between potential and actual income.
2. The site does not maintain an inventory count of the food inventory items purchased or sold; therefore, no accountability exists for the inventory. In addition, there is no reconciliation being performed between the daily student store sales and the amount of inventory sold.

Recommendations

1. The ASB should require all completed revenue potential forms to be forwarded to the ASB advisor to be reviewed. A third party review of completed revenue potential forms would ensure that the ASBs are adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.
2. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity and profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the ASB of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 8, 2016