

**CENTRAL UNION HIGH SCHOOL DISTRICT
COUNTY OF IMPERIAL
EL CENTRO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

Central Union High School District
 Audit Report
 For The Year Ended June 30, 2015

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Central Union High School District
El Centro, 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 Central Union High School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Central Union High School District as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, Central Union High School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Central Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 14, 2015 on our consideration of Central 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 Central Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 14, 2015

Management Discussion and Analysis For the Central Union High School District For the Fiscal Year Ended June 30, 2015 (Unaudited)

The following Management Discussion and Analysis (MD&A) highlights the significant factors that influenced the financial performance of the Central Union High School District during the fiscal year ending June 30, 2015. The MD&A is a requirement of GASB 34 and should be read in conjunction with the district's financial statements for the fiscal year 2014-15.

Financial Highlights

- The district's total net position was \$33,659,432 as of June 30, 2015. This represents an increase of \$3,149,232 from the adjusted beginning balance of \$30,510,200.
- Total General and Program Revenues were \$46,214,790 as compared to \$43,065,604 in expenditures.
- Average Daily Attendance increased by 23.21 students; from 3,857.07 in 2013-14 to 3,880.28 in 2014-15.

Overview of the Financial Statements

The following are the components of the GASB 34 reporting model:

Management Discussion and Analysis
District Wide Statements
Statement of Activities
Statement of Net position
Fund Statements
Budgetary Comparison
Notes to Financial Statements

The Management Discussion and Analysis (this section) is a narrative analysis of the district's financial performance over the course of the fiscal year.

The District-wide financial statements report information about the district as a whole. All funds are included. There are two types of District-wide Statements; the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the district's assets, deferred outflows of resources, liabilities, deferred inflows of resources and reports the ending net position for the fiscal year. The Statement of Activities reports all of the district's revenues and expenditures accounted for in the current year, on the accrual basis.

The two district-wide statements report the district's net position and how it has changed. Net position, the difference between a districts assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is a common tool used by outside agencies to measure the district's fiscal health or determine it's financial position. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating.

The districts activities are divided into two categories in the district wide financial statements 1) Governmental activities and 2) Business-type activities. All of the district's activities are considered governmental activities for GASB reporting purposes.

Fund Financial Statements

Fund Financial Statements provide more detailed information about the district's specific funds, not the district as a whole. These are the familiar types of statements used for reporting purposes prior to the district's implementation of GASB 34. The purpose of Fund Financial Statements is to assist the district in keeping specific sources of funding separate due to State laws and restrictions on spending particular types of funds (i.e. Adult Education Fund is separate from the Deferred Maintenance Fund and the Cafeteria Fund, etc).

In Fund Accounting, there are three types of funds; 1) Governmental Funds 2) Proprietary Funds and 3) Fiduciary funds. The majority of the funds accounted for by Central Union High School District are governmental funds. The district uses governmental funds to account for all of the activities in the general fund, including collection and disbursement of earmarked money (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Project Funds) and the servicing of general long term debt (Debt Service Funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The two forms of proprietary funds are enterprise funds and internal service funds. The district does not currently operate any proprietary funds.

Fiduciary funds are used to account for and manage assets that belong to others, such as scholarship funds or student activities funds. Fiduciary activities are reported in separate fiduciary statements. Their activities and operations are excluded from the district wide financial statements because the district cannot use these assets to finance its operations. The district does not currently operate any fiduciary funds, other than student body funds.

Financial Analysis of the District as a Whole

The Statement of Net position and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the districts financial position as of June 30, 2015.

Table I
Summary Statement of Net Position
As of June 30,

	2014**	2015	Change
Current Assets	\$ 21,106,731	\$ 19,609,892	\$ (1,496,839)
Capital Assets	60,557,744	59,162,600	(1,395,144)
Total Assets	<u>81,664,475</u>	<u>78,772,492</u>	<u>(2,891,983)</u>
	3,901,100	5,777,143	1,876,043
Deferred Outflows of Resources			
Current Liabilities	2,759,955	852,504	(1,907,451)
Long Term Liabilities	41,295,420	43,904,459	2,609,039
Total Liabilities	<u>44,055,375</u>	<u>44,756,963</u>	<u>701,588</u>
	-	7,788,329	7,788,329
Deferred Inflows of Resources			
Net Investment in Capital Assets	47,816,550	49,741,541	1,924,991
Restricted Net Position	7,082,926	4,960,019	(2,122,907)
Unrestricted Net Position	<u>(24,389,276)</u>	<u>(21,042,128)</u>	<u>3,347,148</u>
Total Net Position	<u>\$ 30,510,200</u>	<u>\$ 33,659,432</u>	<u>\$ 3,149,232</u>

**Adjusted to reflect changes for implementation of GASB 68 & 71

The following is a summary Statement of Activities:

Table II
Summary Statement of Activities
As of June 30,

	2014	2015	Change
Program Revenues	\$ 7,058,837	\$ 6,971,033	\$ (87,804)
General Revenues	35,039,043	39,243,757	4,204,714
Total Revenues	42,097,880	46,214,790	4,116,910
Instruction & Related Services	27,033,085	27,910,497	877,412
Pupil Services	4,975,276	5,014,895	39,619
General Administration	2,733,304	2,338,750	(394,554)
Plant Services	4,669,523	4,683,854	14,331
Other Services & Other Outgo	2,662,396	2,718,289	55,893
Interest on Long Term Debt	553,588	399,319	(154,269)
Total Expenses	42,627,172	43,065,604	438,432
Change in Net Position	\$ (529,292)	\$ 3,149,186	\$ 3,678,478

Proprietary and Fiduciary Fund Types

The district does not currently operate any proprietary funds (i.e. Self Insurance funds, etc).

Fiduciary Fund Types

Central High School and Southwest High School both operate Associated Student Body accounts and as a whole, they had an operating surplus. The district operates no other Fiduciary funds.

Analysis of General Fund Budget

Over the course of the year, the district revised the annual operating budget several times.

The following table is an analysis of the budget verses actual expenditures within the general fund.

Analysis of Budget Verses Actual

REVENUES	Budget	Actual	Variance Favorable (Unfavorable)
Revenue Limit Sources	33,849,845	34,528,251	98,780
Federal Revenues	2,628,346	2,511,714	(300,331)
State Revenues	2,685,192	2,525,064	930,139
Local Revenues	2,201,831	2,202,517	(6,481)
TOTAL	41,365,214	41,776,545	722,107
Expenditures			
Certificated Salaries	20,410,908	19,045,343	169,984
Classified Salaries	5,656,849	5,567,157	195,134
Employee Benefits	6,589,782	6,835,033	(537,763)
Supplies	3,432,657	2,478,261	1,046,749
Services	3,359,176	3,543,027	486,542
Capital Outlay	71,180	366,523	700,283
Other Outgo/Transfers Out	1,517,491	1,813,713	(189,094)
TOTAL	41,038,044	39,649,057	1,871,836

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2014-15, the district had invested \$97,335,644 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$59,162,600, net of \$38,173,044 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had \$42,249,370 in long-term debt outstanding. This is an increase from prior year of \$26,576,847

The following table summarizes the district's long-term debt as of June 30, 2015.

Central Union High School District Outstanding Long-Term Debt		
Governmental Activities		
	2014-2015	2013-2014
GO Bonds Payable & Other LT Debt	9,421,059	10,862,269
Other Long Term Debt	32,681,329	4,660,198
Capital Leases Payable	0	0
Compensated Absences Payable	146,982	150,056
TOTAL	42,249,370	15,672,523

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Arnold Preciado, Assistant Superintendent Business & Support Services, at (760) 336-4506 or at Central Union High School District, 351 Ross Avenue, El Centro, CA, 92243.

Basic Financial Statements

CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 18,140,589
Receivables	1,413,530
Stores	54,958
Prepaid Expenses	815
Capital Assets:	
Land	8,163,554
Land Improvements	8,156,319
Buildings	75,344,084
Equipment	5,620,818
Work in Progress	50,869
Less Accumulated Depreciation	<u>(38,173,044)</u>
Total Assets	<u>78,772,492</u>
DEFERRED OUTFLOWS OF RESOURCES	5,777,143
LIABILITIES	
Accounts Payable	689,999
Unearned Revenue	162,505
Long-Term Liabilities:	
Due Within One Year	1,655,089
Due in More Than One Year	42,249,370
Total Liabilities	44,756,963
DEFERRED INFLOWS OF RESOURCES	7,788,329
NET POSITION	
Net Investment in Capital Assets	49,741,541
Restricted for:	
Capital Projects	1,062,052
Debt Service	2,252,125
Educational Programs	1,193,796
Other Purposes (Expendable)	390,273
Other Purposes (Nonexpendable)	61,773
Unrestricted	<u>(21,042,128)</u>
Total Net Position	<u>\$ 33,659,432</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 23,369,669	\$ -	\$ 3,656,138	\$ 46	\$ (19,713,485)
Instruction-Related Services:					
Instructional Supervision and Administration	1,438,972	-	490,813	-	(948,159)
Instructional Library, Media and Technology	400,098	-	105,642	-	(294,456)
School Site Administration	2,701,758	-	171,359	-	(2,530,399)
Pupil Services:					
Home-to-School Transportation	933,660	-	-	-	(933,660)
Food Services	1,653,578	226,672	1,385,044	-	(41,862)
All Other Pupil Services	2,427,657	-	367,078	-	(2,060,579)
General Administration:					
Centralized Data Processing	571,233	-	-	-	(571,233)
All Other General Administration	1,767,517	13,299	288,904	-	(1,465,314)
Plant Services	4,683,854	9,404	234,571	-	(4,439,879)
Ancillary Services	765,354	-	22,109	-	(743,245)
Community Services	42,172	-	-	-	(42,172)
Interest on Long-Term Debt	399,319	-	-	-	(399,319)
Other Outgo - Transfers Between Agencies	1,910,763	-	-	-	(1,910,763)
Total Expenses	\$ 43,065,604	\$ 249,375	\$ 6,721,658	\$ 46	\$ (36,094,525)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					3,176,110
Taxes Levied for Debt Service					2,099,720
Taxes Levied for Other Specific Purposes					166,981
Federal and State Aid Not Restricted to Specific Purposes					32,223,745
Interest and Investment Earnings					102,377
Interagency Revenues					834,617
Miscellaneous					640,207
Total General Revenues					\$ 39,243,757
Change in Net Position					3,149,232
Net Position Beginning - As Restated (See Note S)					30,510,200
Net Position Ending					\$ 33,659,432

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2015

	General Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ 14,531,993	\$ 797,610
Cash in Revolving Fund	6,000	-
Accounts Receivable	1,160,120	1,210
Due from Other Funds	-	-
Stores Inventories	23,066	-
Prepaid Expenditures	815	-
Total Assets	<u>15,721,994</u>	<u>798,820</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 371,361	\$ 124,460
Due to Other Funds	632	-
Unearned Revenue	162,504	-
Total Liabilities	<u>534,497</u>	<u>124,460</u>
Fund Balance:		
Nonspendable Fund Balances	29,881	-
Restricted Fund Balances	1,581,228	-
Assigned Fund Balances	1,116,656	674,360
Unassigned Fund Balances	<u>12,459,732</u>	<u>-</u>
Total Fund Balance	<u>15,187,497</u>	<u>674,360</u>
Total Liabilities and Fund Balances	<u>\$ 15,721,994</u>	<u>\$ 798,820</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,248,669	\$ 556,317	\$ 18,134,589
-	-	6,000
3,456	248,745	1,413,531
-	632	632
-	31,892	54,958
-	-	815
<u>2,252,125</u>	<u>837,586</u>	<u>19,610,525</u>
\$ -	\$ 47,096	\$ 542,917
-	-	632
<u>-</u>	<u>47,096</u>	<u>162,504</u>
-	-	706,053
-	31,892	61,773
-	110,982	1,692,210
2,252,125	647,616	4,690,757
<u>-</u>	<u>-</u>	<u>12,459,732</u>
<u>2,252,125</u>	<u>790,490</u>	<u>18,904,472</u>
<u>\$ 2,252,125</u>	<u>\$ 837,586</u>	<u>\$ 19,610,525</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances, governmental funds \$ 18,904,472

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	97,335,644	
Accumulated depreciation:	<u>(38,173,044)</u>	
Net		59,162,600

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs on the statement of net position are: (147,084)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

General obligation bonds	9,421,059	
Net pension liability	29,289,411	
Compensated absences	146,982	
Net OPEB obligation	<u>3,391,918</u>	
Total		(42,249,370)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	5,313,278	
Deferred inflows of resources relating to pensions	<u>(7,788,329)</u>	

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 463,865

Total net position, governmental activities \$ 33,659,432

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Facilities Fund
Revenues: LCFF		
Sources:		
State Apportionment or State Aid	\$ 24,904,511	\$ -
Education Protection Account Funds	6,439,121	-
Local Sources	3,183,619	-
Federal Revenue	2,511,714	-
Other State Revenue	2,525,063	-
Other Local Revenue	2,219,286	219,353
Total Revenues	41,783,314	219,353
Expenditures:		
Instruction	22,135,391	-
Instruction - Related Services	4,658,467	-
Pupil Services	3,368,925	-
Ancillary Services	767,331	-
Community Services	41,684	-
General Administration	2,449,362	19,334
Plant Services	4,317,134	182,811
Other Outgo	1,910,763	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	39,649,057	202,145
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	2,134,257	17,208
Other Financing Sources (Uses):		
Transfers In	4,132	-
Transfers Out	(500,000)	(4,132)
Total Other Financing Sources (Uses)	(495,868)	(4,132)
Net Change in Fund Balance	1,638,389	13,076
Fund Balance, July 1	13,549,108	661,284
Fund Balance, June 30	\$ 15,187,497	\$ 674,360

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 24,904,511
-	-	6,439,121
-	-	3,183,619
-	1,414,684	3,926,398
19,551	109,262	2,653,876
2,087,280	581,391	5,107,310
<u>2,106,831</u>	<u>2,105,337</u>	<u>46,214,835</u>
-	295,791	22,431,182
-	9,197	4,667,664
-	1,669,032	5,037,957
-	-	767,331
-	-	41,684
-	97,050	2,565,746
-	217,493	4,717,438
-	-	1,910,763
1,400,000	1,878,925	3,278,925
385,034	46,973	432,007
<u>1,785,034</u>	<u>4,214,461</u>	<u>45,850,697</u>
<u>321,797</u>	(2,109,124)	364,138
-	500,000	504,132
-	-	(504,132)
-	500,000	-
321,797	(1,609,124)	364,138
1,930,328	2,399,614	18,540,334
<u>\$ 2,252,125</u>	<u>\$ 790,490</u>	<u>\$ 18,904,472</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total change in fund balances, governmental funds	\$	364,138
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
	Expenditures for capital outlay	618,629
	Depreciation expense	<u>(2,013,773)</u>
	Net	(1,395,144)
<p>Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>		
		3,278,925
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>		
		46,475
<p>Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:</p>		
		1,476,194
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		(610,645)
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>		
		(13,785)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>		
		<u>3,074</u>
Change in net position of governmental activities	\$	<u><u>3,149,232</u></u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Fund</u>	<u>Student Body Fund</u>
ASSETS:		
Cash on Hand and in Banks	\$ 402,701	
Total Assets	<u>402,701</u>	
LIABILITIES:		
Due to Student Groups	\$ <u>402,701</u>	
Total Liabilities	<u>402,701</u>	
NET POSITION:		
Total Net Position	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

Central Union High School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620–17626).

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code sections 15125–15262).

In addition, the District reports the following fund types:

Special Revenue Funds. 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.

Capital Projects Funds. Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Agency Funds. These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or 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 60 days. However, to achieve comparability of reporting among California districts and so as to not 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 are transactions in which the District receives value without directly giving equal value in return, including 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. 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 financial statements.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	15-25
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. 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 balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District has adopted a policy to maintain a minimum reserve of 16.7% of the annual general fund expenditures and other financing uses. The percentage is approximately an amount equivalent to two months of expenditures. If the reserve amount drops below 8.4%, a plan will be developed to recover the difference in two years. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

7. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Employee Benefits	\$ 537,774
Other Outgo	183,644

General Fund: The district did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses.

Other Outgo exceeded the budget by 10.6% as a result of unanticipated increases in other expenses.

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$18,134,589 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$18,134,589. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$402,701 as of June 30, 2015) and in the revolving fund (\$6,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2015, the District's bank balances (including revolving cash) of \$152,701 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

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. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in 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 manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

E. Accounts Receivable

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

	Major Governmental Funds				Total
	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	
Federal Government:					
Federal programs	\$ 658,418	\$ -	\$ -	\$ 85,688	\$ 744,106
State Government:					
Lottery	391,505	-	-	-	391,505
Other state programs	8,822	-	-	1,928	10,750
Local Sources:					
Interest	24,515	1,210	3,456	892	30,073
Other local sources	76,860	-	-	160,237	237,097
Totals	<u>\$ 1,160,120</u>	<u>\$ 1,210</u>	<u>\$ 3,456</u>	<u>\$ 248,745</u>	<u>\$ 1,413,531</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 8,163,554	\$ -	\$ -	\$ 8,163,554
Work in progress	-	50,869	-	50,869
Total capital assets not being depreciated	<u>8,163,554</u>	<u>50,869</u>	<u>-</u>	<u>8,214,423</u>
Capital assets being depreciated:				
Buildings	75,158,423	185,661	-	75,344,084
Site improvements	8,156,319	-	-	8,156,319
Equipment	5,278,719	382,099	40,000	5,620,818
Total capital assets being depreciated	<u>88,593,461</u>	<u>567,760</u>	<u>40,000</u>	<u>89,121,221</u>
Less accumulated depreciation for:				
Buildings	(27,032,134)	(1,413,372)	-	(28,445,506)
Site improvements	(5,701,458)	(239,960)	-	(5,941,418)
Equipment	(3,465,679)	(360,441)	(40,000)	(3,786,120)
Total accumulated depreciation	<u>(36,199,271)</u>	<u>(2,013,773)</u>	<u>(40,000)</u>	<u>(38,173,044)</u>
Total capital assets being depreciated, net	<u>52,394,190</u>	<u>(1,446,013)</u>	<u>-</u>	<u>50,948,177</u>
Governmental activities capital assets, net	<u>\$ 60,557,744</u>	<u>\$ (1,395,144)</u>	<u>\$ -</u>	<u>\$ 59,162,600</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,564,332
Pupil Services	80,380
General Administration	9,490
Plant Services	359,571
	<u>\$ 2,013,773</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

G. Deferred Outflows of Resources

In 2005 the District issued refunding bonds to repay the 1992 Election Series B General Obligation Bonds. The refunding resulted in a loss on refunding of \$487,864 which is recorded as a deferred outflow of resources and amortized over 17 years (the life of the refunding bonds).

In 2011 the District issued refunding bonds to repay the 1992 Election Series C General Obligation Bonds and the 2002 Refunding Bonds. The refunding resulted in a loss on refunding of \$341,877 which is recorded as a deferred outflow of resources and amortized over 13 years (the life of the refunding bonds).

A summary of the deferred outflow of resources as of June 30, 2015 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005 Loss on Refunding Bonds	17 Years	\$ 229,583	\$ -	\$ 28,698	\$ 200,885
2011 Loss on Refunding Bonds	13 Years	289,278	-	26,298	262,980
Pension Related		3,382,239	5,338,122	3,382,239	5,338,122
Total Deferred Outflows of Resources		\$ 3,901,100	\$ 5,338,122	\$ 3,437,235	\$ 5,801,987

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2005 Bonds	2011 Bonds	Pension	Total
2016	\$ 28,698	\$ 26,298	\$ 5,338,122	\$ 5,393,118
2017	28,698	26,298	-	54,996
2018	28,698	26,298	-	54,996
2019	28,698	26,298	-	54,996
2020	28,698	26,298	-	54,996
2021-2025	57,395	131,490	-	188,885
Totals	\$ 200,885	\$ 262,980	\$ 5,338,122	\$ 463,865

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Cafeteria Fund	General Fund	\$ 632	Catering invoice
	Total	\$ 632	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Capital Facilities Fund	General Fund	\$ 4,132	Developer administrative fees
General Fund	Deferred Maintenance Fund	500,000	Deferred maintenance
	Total	\$ 504,132	

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

I. Accounts Payable

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

	Major Governmental Funds				Total
	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	
Vendor payables	\$ 339,301	\$ 124,460	\$ -	\$ 23,915	\$ 487,676
Payroll and related benefits	31,132	-	-	22,057	53,189
Pension related liabilities	928	-	-	1,124	2,052
Totals	\$ 371,361	\$ 124,460	\$ -	\$ 47,096	\$ 542,917

J. Unearned Revenue

Unearned revenue at June 30, 2015, consisted of:

	General Fund
Federal Government:	
Categorical Programs	\$ 8,860
State Government:	
Categorical Programs	100,940
Local Sources:	
Local Grants	<u>52,704</u>
Total Unearned Revenue	\$ <u>162,504</u>

K. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

L. Components of Ending Fund Balance

As of June 30, 2015 components of ending fund balance consisted of the following:

	Major Governmental Funds				Total
	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	
Nonspendable Fund Balances					
Revolving Cash	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Stores Inventory	23,066	-	-	31,892	54,958
Prepaid expenses	815	-	-	-	815
Total Nonspendable	29,881	-	-	31,892	61,773
Restricted Fund Balances					
Educational Programs	1,193,795	-	-	4,835	1,198,630
Capital Projects	365,399	-	-	10,398	375,797
Maintenance	22,034	-	-	-	22,034
Child Nutrition Program	-	-	-	95,749	95,749
Total Restricted	1,581,228	-	-	110,982	1,692,210
Assigned Fund Balances					
OPEB	1,116,657	-	-	-	1,116,657
Capital Projects	-	674,360	-	9,497	683,857
Debt Service	-	-	2,252,125	-	2,252,125
Deferred Maintenance	-	-	-	353,181	353,181
Educational Programs	-	-	-	284,938	284,938
Total Assigned	1,116,657	674,360	2,252,125	647,616	4,690,758
Unassigned Fund Balances For Economic Uncertainty	12,459,730	-	-	-	12,459,730
Total Fund Balance	\$ 15,187,496	\$ 674,360	\$ 2,252,125	\$ 790,490	\$ 18,904,471

M. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015 are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds					
Principal balance	\$ 10,575,000	\$ -	\$ 1,400,000	\$ 9,175,000	\$ 1,465,000
Bond premium	287,270	-	41,211	246,059	43,107
Total GO Bonds	10,862,270	-	1,441,211	9,421,059	1,508,107
Net OPEB obligation	2,781,273	886,216	275,571	3,391,918	-
Net pension liability	36,622,895	-	7,333,484	29,289,411	-
Compensated absences *	150,056	-	3,074	146,982	146,982
Other long-term debt	1,878,925	-	1,878,925	-	-
Total governmental activities	\$ 52,295,419	\$ 886,216	\$ 10,932,265	\$ 42,249,370	\$ 1,655,089

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Debt Service Requirements

Debt service requirements on long term debt, net of bond premium, OPEB obligation, and pension liability at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,611,982	\$ 324,136	\$ 1,936,118
2017	1,530,000	265,115	1,795,115
2018	1,595,000	203,116	1,798,116
2019	1,675,000	144,261	1,819,261
2020	580,000	105,678	685,678
2021-2025	2,065,000	224,826	2,289,826
2026-2030	265,000	16,905	281,905
Totals	\$ 9,321,982	\$ 1,284,037	\$ 10,606,019

3. General Obligation Bonds

General obligation bonds at June 30, 2015 consisted of the following:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
1992 Election Series D	06/19/03	3.75-4.20%	08/01/27	\$ 1,415,000
2005 Refunding Bonds	06/30/05	3.50-4.00%	08/01/21	4,790,000
2011 Refunding Bonds	11/17/11	2.00-4.00%	08/01/24	9,165,000
Total GO Bonds				\$ 15,370,000

	<u>Beginning Balance</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Ending Balance</u>
1992 Election Series D	\$ 990,000	\$ -	\$ 55,000	\$ 935,000
1992 Bond Premium	19,244	-	1,070	18,174
2005 Refunding Bonds	2,590,000	-	280,000	2,310,000
2005 Bond Premium	15,066	-	1,629	13,437
2011 Refunding Bonds	6,995,000	-	1,065,000	5,930,000
2011 Bond Premium	252,960	-	38,512	214,448
Total GO Bonds	\$ 10,862,270	\$ -	\$ 1,441,211	\$ 9,421,059

The annual requirements to amortize bonds at June 30, 2015 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,465,000	\$ 324,136	\$ 1,789,136
2017	1,530,000	265,115	1,795,115
2018	1,595,000	203,116	1,798,116
2019	1,675,000	144,261	1,819,261
2020	580,000	105,678	685,678
2021-2025	2,065,000	224,826	2,289,826
2026-2030	265,000	16,905	281,905
Totals	\$ 9,175,000	\$ 1,284,037	\$ 10,459,037

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

4. Other General Long Term Debt

Other general long term debt at June 30, 2015 consisted of the following:

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount
Abatti Land Trust	11/23/09	5.00%	12/28/14	\$ <u>2,278,925</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
Abatti Land Trust	\$ <u>1,878,925</u>	\$ <u>-</u>	\$ <u>1,878,925</u>	\$ <u>-</u>

5. Bond Premiums

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium or resulting in effective interest as follows:

	1992 Bonds	2005 Bonds	2011 Bonds
Total Interest	\$ 833,494	\$ 1,627,029	\$ 1,578,251
Less Bond Premium	(27,506)	(27,864)	(331,433)
Net Interest	\$ 805,988	\$ 1,599,165	\$ 1,246,818
Par Amount of Bonds	\$ 1,415,000	\$ 4,790,000	\$ 9,165,000
Periods	25	17	14
Effective Interest Rate	2.28%	1.96%	0.97%

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Complete financial information for IVPL can be obtained by contacting the JPA at 1225 Main Street, El Centro, California, 92244. The District's condensed share of audited financial information for IVPL for the year ended June 30, 2015 is as follows:

Contributions	\$ 135,797
Paid Losses & Other Expenses	<u>139,210</u>
Change in Net Position	(3,413)
Net Position - Beginning of Year	119,213
Net Position - End of Year	\$ 115,800

Complete financial information for SIPIC was not available at the time this audit report was issued. It can be obtained by contacting the JPA at 1398 Sperber Road, El Centro, California 92243.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS		CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974%	6.974%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized & Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Contributions - Employer	\$ 908,866	\$ 626,800
Contributions - Employee (paid by employer)	905,445	387,741
Contributions - State On Behalf Payments	553,387	-
Total Pension Expense	<u>\$ 2,367,698</u>	<u>1,014,541</u>

Pension expense for each plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Change in Net Pension Liability	\$ (5,200,043)	\$ (2,133,441)
Net difference between projected and actual earnings on plan investments	5,756,000	2,032,329
Total employer and state contributions	<u>2,367,698</u>	<u>1,014,541</u>
Total Pension Expense	<u>\$ 2,923,655</u>	<u>\$ 913,429</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 23,374,794
CalPERS	<u>5,914,617</u>
Total Net Pension Liability	<u>\$ 29,289,411</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2013	0.0400%	0.0521%
Proportion - June 30, 2014	0.0400%	0.0521%
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

For the year ended June 30, 2015, the District recognized pension expense of \$3,837,084. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,338,122	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>(7,788,329)</u>
Total	<u>\$ 5,338,122</u>	<u>\$ (7,788,329)</u>

\$5,338,122 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ (1,947,082)
2017	(1,947,082)
2018	(1,947,082)
2019	<u>(1,947,083)</u>
Total	<u>\$ (7,788,329)</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

In determining the long-term expected rate of return, CalSTRS and 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 10 years) and 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 quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 41,004,735	\$ 10,375,591
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 23,374,800	\$ 5,914,619
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 8,643,212	\$ 2,187,026

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

d. Pension Plan Fiduciary Net Position

CalSTRS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 95,114,400	\$ 66,539,564	\$ 28,574,836
Changes for the year:			
Service cost	2,135,200	-	2,135,200
Interest	7,128,800	-	7,128,800
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	908,866	(908,866)
Contributions - Employee	-	905,445	(905,445)
Contributions - State On Behalf	-	553,387	(553,387)
Net investment income	-	12,160,761	(12,160,761)
Other income	-	822	(822)
Benefit payments, including refunds of employee contributions	(4,814,000)	(4,814,062)	62
Administrative expenses	-	(61,662)	61,662
Other expenses	-	(3,515)	3,515
Net Changes	4,450,000	9,650,042	(5,200,042)
Balance at June 30, 2015	<u>\$ 99,564,400</u>	<u>\$ 76,189,606</u>	<u>\$ 23,374,794</u>

CalPERS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 33,883,827	\$ 25,835,768	\$ 8,048,059
Changes for the year:			
Service cost	821,110	-	821,110
Interest	2,510,761	-	2,510,761
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	626,800	(626,800)
Contributions - Employee	-	387,741	(387,741)
Net investment income	-	4,450,770	(4,450,770)
Benefit payments, including refunds of employee contributions	(1,635,149)	(1,635,149)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	1,696,722	3,830,162	(2,133,440)
Balance at June 30, 2015	<u>\$ 35,580,549</u>	<u>\$ 29,665,930</u>	<u>\$ 5,914,619</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

P. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The District maintains the same plan for its retirees as for its active employees with the general exception that benefits end when the retiree attains age 65. Certificated members may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$628 per retiree. Classified members hired prior to July 1, 2005 may retire with District-paid benefits at age 55 with at least 10 years of service with the District. Classified employees hired on or after July 1, 2005 and before July 1, 2008 may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Classified employees hired on or after July 1, 2008 may retire with District-paid benefits at age 55 with at least 20 years of service. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$761 per retiree. Health benefits for management retirees are subject to Board approval, and if approved, they follow the certificated guidelines as described above, except that management retirees do not receive District-paid life insurance. Retired board members do not receive District contributions towards benefits. They are eligible to self-pay for these benefits upon completing a full term of service on the governing board. Membership of the plan consists of approximately 336 eligible active employees, 26 eligible retirees, and excludes employees hired after the valuation date.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed \$275,571 to the Plan, which was primarily used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 935,806
Interest on net OPEB obligation	111,251
Adjustment to annual required contribution	(160,841)
Annual OPEB cost (expense)	886,216
Contribution made	<u>(275,571)</u>
Decrease in net OPEB obligation	610,645
Net OPEB obligation, beginning of year	2,781,273
Net OPEB obligation, end of year	<u>\$ 3,391,918</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2014, and 2015 were as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 709,047	30.0%	\$ 2,107,682
2014	898,226	25.0%	2,781,273
2015	886,216	31.1%	3,391,918

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Funding Status and Funding Progress

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

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 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, 2013 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates were increased from a rate of 5.0% to a rate of 8.0% to better reflect the expectations of average healthcare claim cost increases. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2013 of 24 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

Q. Deferred Inflows of Resources

GASB Statement No. 68 requires that the net difference between projected and actual earnings on pension plan investments be recorded as a deferred outflow or deferred inflow of resources and amortized over four years. For the year ended June 30, 2015 amounts recorded as deferred inflows of resources are pension related. Amortization is detailed in note P.

R. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction Commitments

As of June 30, 2015 the District did not have any construction commitments for unfinished projects.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

S. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted to accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The combination of changes due to implementation of GASB Statement No. 68 & 71 resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 63,750,858
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(36,622,895)
Change in Accounting Policy - Deferred Outflows Pension Related	3,382,239
Rounding Variance	<u>(2)</u>
Net Position, Beginning (As Restated)	<u>\$ 30,510,200</u>

T. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

GASB Statement No. 76

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). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues: LCFF				
Sources:				
State Apportionment or State Aid	\$ 27,680,179	\$ 25,932,722	\$ 24,904,511	\$ (1,028,211)
Education Protection Account Funds	4,355,499	5,369,700	6,439,121	1,069,421
Local Sources	1,814,167	3,126,049	3,183,619	57,570
Federal Revenue	2,628,346	2,812,045	2,511,714	(300,331)
Other State Revenue	2,685,192	1,594,924	2,525,063	930,139
Other Local Revenue	2,201,831	2,218,998	2,212,517	(6,481)
Total Revenues	<u>41,365,214</u>	<u>41,054,438</u>	<u>41,776,545</u>	<u>722,107</u>
Expenditures:				
Current:				
Certificated Salaries	20,410,908	19,215,327	19,045,332	169,995
Classified Salaries	5,656,849	5,762,291	5,567,157	195,134
Employee Benefits	6,589,782	6,297,270	6,835,044	(537,774)
Books And Supplies	3,432,657	3,525,010	2,478,260	1,046,750
Services And Other Operating Expenditures	3,359,176	4,029,569	3,543,029	486,540
Other Outgo	1,619,992	1,727,119	1,910,763	(183,644)
Direct Support/Indirect Costs	(102,501)	(102,501)	(97,050)	(5,451)
Capital Outlay	71,180	1,066,806	366,522	700,284
Total Expenditures	<u>41,038,043</u>	<u>41,520,891</u>	<u>39,649,057</u>	<u>1,871,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>327,171</u>	<u>(466,453)</u>	<u>2,127,488</u>	<u>2,593,941</u>
Other Financing Sources (Uses):				
Transfers In	-	-	4,132	4,132
Transfers Out	(500,000)	(496,400)	(500,000)	(3,600)
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(496,400)</u>	<u>(495,868)</u>	<u>532</u>
Net Change in Fund Balance	<u>(172,829)</u>	<u>(962,853)</u>	<u>1,631,620</u>	<u>2,594,473</u>
Fund Balance, July 1	12,439,221	12,439,221	12,439,221	-
Fund Balance, June 30	<u>\$ 12,266,392</u>	<u>\$ 11,476,368</u>	<u>\$ 14,070,841</u>	<u>\$ 2,594,473</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS- OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/08	\$ -	\$ 5,053,311	\$ 5,053,311	-	\$ 23,554,527	21.45%
07/01/10	-	5,631,360	5,631,360	-	22,063,872	25.52%
07/01/13	-	7,568,462	7,568,462	-	25,382,870	29.82%

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0400%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 23,374,794	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 10,994,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,814,311	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,814,311)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 10,994,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return ¹	7.60%
Consumer Price Inflation	3.00%
Wage Growth (Average)	3.75%
Post-retirement Benefit Increases	2.00% simple

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that 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 by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0521%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 5,914,619	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 5,551,607	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	106.54%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,014,541	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,014,541)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 5,551,607	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.27%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 15,187,497
Less Fund 17 Fund Balance	(6,291)
Less Fund 20 Fund Balance	<u>(1,110,365)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 14,070,841</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 1,638,389
Change in Fund Balance attributed to Fund 17	(37)
Change in Fund Balance attributed to Fund 20	<u>(6,731)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 1,631,621</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 536,437	\$ 19,880	\$ 556,317
Accounts Receivable	248,730	15	248,745
Due from Other Funds	632	-	632
Stores Inventories	31,892	-	31,892
Total Assets	<u>817,691</u>	<u>19,895</u>	<u>837,586</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ <u>47,096</u>	\$ -	\$ <u>47,096</u>
Total Liabilities	<u>47,096</u>	<u>-</u>	<u>47,096</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	31,892	-	31,892
Restricted Fund Balances	100,584	10,398	110,982
Assigned Fund Balances	638,119	9,497	647,616
Total Fund Balance	<u>770,595</u>	<u>19,895</u>	<u>790,490</u>
Total Liabilities and Fund Balances	<u>\$ 817,691</u>	<u>\$ 19,895</u>	<u>\$ 837,586</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 1,414,684	\$ -	\$ 1,414,684
Other State Revenue	109,262	-	109,262
Other Local Revenue	<u>565,249</u>	<u>16,142</u>	<u>581,391</u>
Total Revenues	<u>2,089,195</u>	<u>16,142</u>	<u>2,105,337</u>
Expenditures:			
Instruction	295,791	-	295,791
Instruction - Related Services	9,197	-	9,197
Pupil Services	1,669,032	-	1,669,032
General Administration	97,050	-	97,050
Plant Services	217,493	-	217,493
Debt Service:			
Principal	-	1,878,925	1,878,925
Interest	<u>-</u>	<u>46,973</u>	<u>46,973</u>
Total Expenditures	<u>2,288,563</u>	<u>1,925,898</u>	<u>4,214,461</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(199,368)</u>	<u>(1,909,756)</u>	<u>(2,109,124)</u>
Other Financing Sources (Uses):			
Transfers In	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Net Change in Fund Balance	300,632	(1,909,756)	(1,609,124)
Fund Balance, July 1	<u>469,963</u>	<u>1,929,651</u>	<u>2,399,614</u>
Fund Balance, June 30	<u>\$ 770,595</u>	<u>\$ 19,895</u>	<u>\$ 790,490</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 138,801	\$ 41,339	\$ 356,297	\$ 536,437
Accounts Receivable	166,078	82,644	8	248,730
Due from Other Funds	-	632	-	632
Stores Inventories	-	31,892	-	31,892
Total Assets	<u>304,879</u>	<u>156,507</u>	<u>356,305</u>	<u>817,691</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 15,106	\$ 28,867	\$ 3,123	\$ 47,096
Total Liabilities	<u>15,106</u>	<u>28,867</u>	<u>3,123</u>	<u>47,096</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	31,892	-	31,892
Restricted Fund Balances	4,836	95,748	-	100,584
Assigned Fund Balances	284,937	-	353,182	638,119
Total Fund Balance	<u>289,773</u>	<u>127,640</u>	<u>353,182</u>	<u>770,595</u>
Total Liabilities and Fund Balances	<u>\$ 304,879</u>	<u>\$ 156,507</u>	<u>\$ 356,305</u>	<u>\$ 817,691</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ 127,197	\$ 1,287,487	\$ -	\$ 1,414,684
Other State Revenue	6,994	102,268	-	109,262
Other Local Revenue	<u>179,817</u>	<u>383,386</u>	<u>2,046</u>	<u>565,249</u>
Total Revenues	<u>314,008</u>	<u>1,773,141</u>	<u>2,046</u>	<u>2,089,195</u>
Expenditures:				
Instruction	295,791	-	-	295,791
Instruction - Related Services	9,197	-	-	9,197
Pupil Services	14,853	1,654,179	-	1,669,032
General Administration	-	97,050	-	97,050
Plant Services	<u>-</u>	<u>68,629</u>	<u>148,864</u>	<u>217,493</u>
Total Expenditures	<u>319,841</u>	<u>1,819,858</u>	<u>148,864</u>	<u>2,288,563</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,833)</u>	<u>(46,717)</u>	<u>(146,818)</u>	<u>(199,368)</u>
Other Financing Sources (Uses):				
Transfers In	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net Change in Fund Balance	(5,833)	(46,717)	353,182	300,632
Fund Balance, July 1	295,606	174,357	-	469,963
Fund Balance, June 30	<u>\$ 289,773</u>	<u>\$ 127,640</u>	<u>\$ 353,182</u>	<u>\$ 770,595</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015

	<u>County School Facilities Fund</u>	<u>Special Reserve For Capital Outlay Projects</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
ASSETS:			
Cash in County Treasury	\$ 10,455	\$ 9,425	\$ 19,880
Accounts Receivable	<u>-</u>	<u>15</u>	<u>15</u>
Total Assets	<u>10,455</u>	<u>9,440</u>	<u>19,895</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 10,398	\$ -	\$ 10,398
Assigned Fund Balances	<u>57</u>	<u>9,440</u>	<u>9,497</u>
Total Fund Balance	<u>10,455</u>	<u>9,440</u>	<u>19,895</u>
Total Liabilities and Fund Balances	<u>\$ 10,455</u>	<u>\$ 9,440</u>	<u>\$ 19,895</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>County School Facilities Fund</u>	<u>Special Reserve For Capital Outlay Projects</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-2)</u>
Revenues:			
Other Local Revenue	\$ 46	\$ 16,096	\$ 16,142
Total Revenues	46	16,096	16,142
Expenditures:			
Debt Service:			
Principal	-	1,878,925	1,878,925
Interest	-	46,973	46,973
Total Expenditures	-	1,925,898	1,925,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46</u>	<u>(1,909,802)</u>	<u>(1,909,756)</u>
Net Change in Fund Balance	46	(1,909,802)	(1,909,756)
Fund Balance, July 1	<u>10,409</u>	<u>1,919,242</u>	<u>1,929,651</u>
Fund Balance, June 30	<u>\$ 10,455</u>	<u>\$ 9,440</u>	<u>\$ 19,895</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

CENTRAL UNION HIGH SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2015

The Central Union High School District was established in 1908, and is comprised of an area of El Centro, Heber, and Seeley in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating two high schools. The district also maintains a continuation high school and an adult education program.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Ryan Childers	President	Four year term Expires November 30, 2016
Jacinto Jimenez	Clerk	Four year term Expires November 30, 2016
Emma L. Jones	Member	Four year term Expires November 30, 2018
Steve Walker	Member	Four year term Expires November 30, 2016
Todd Evangelist	Member	Four year term Expires November 30, 2018

Administration

Bryan Thomason
 Superintendent

Sheri Hart
 Assistant Superintendent

Carol Moreno
 Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2015

TABLE D-1

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades 9-12:				
Regular ADA	3,879.55	N/A	3,946.39	3,846.54
Extended Year Special Education	0.73	N/A	0.73	0.73
Grades 9-12 Totals	<u>3,880.28</u>	<u>N/A</u>	<u>3,947.12</u>	<u>3,847.27</u>
ADA Totals	<u>3,880.28</u>	<u>N/A</u>	<u>3,947.12</u>	<u>3,847.27</u>

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	64,800	63,000	67,057	180	-	Complied
Grade 10	64,800	63,000	67,057	180	-	Complied
Grade 11	64,800	63,000	67,057	180	-	Complied
Grade 12	64,800	63,000	67,057	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46207. The District neither met nor exceeded its target funding.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2014

TABLE D-3

<u>General Fund</u>	<u>Budget 2016 (See Note 1)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues and other financial sources	\$ <u>47,937,594</u>	\$ <u>41,780,677</u>	\$ <u>38,875,916</u>	\$ <u>33,631,496</u>
Expenditures, other uses and transfers out	<u>47,360,561</u>	<u>40,149,057</u>	<u>38,853,057</u>	<u>32,797,377</u>
Change in fund balance (deficit)	<u>577,033</u>	<u>1,631,620</u>	<u>22,859</u>	<u>834,119</u>
Ending fund balance	\$ <u>14,647,873</u>	\$ <u>14,070,840</u>	\$ <u>12,439,220</u>	\$ <u>12,416,361</u>
Available reserves (See Note 2)	\$ <u>13,528,867</u>	\$ <u>12,459,732</u>	\$ <u>10,347,462</u>	\$ <u>10,917,562</u>
Available reserves as a percentage of total outgo (See Note 3)	<u>28.6%</u>	<u>31.8%</u>	<u>27.3%</u>	<u>34.1%</u>
Total long-term debt	\$ <u>40,594,281</u>	\$ <u>42,249,370</u>	\$ <u>15,672,523</u>	\$ <u>16,404,770</u>
Average daily attendance at P-2	<u>3,880</u>	<u>3,880</u>	<u>3,857</u>	<u>3,898</u>

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.

The fund balance of the general fund has increased by \$1,654,479 (13.3%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$577,033 (4.1%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$25,844,600 over the past two years (See Note 5).

Average daily attendance has decreased by 18 over the past two years.

Notes:

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$926,782, \$967,987, and \$836,996, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Special Reserve Fund for Postemployment Benefits</u>
June 30, 2015, annual financial and budget report fund balances	\$ 14,070,841	\$ 6,291	\$ 1,110,365
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB #54 inclusion of special reserve funds	<u>1,116,656</u>	<u>(6,291)</u>	<u>(1,110,365)</u>
June 30, 2015, audited financial statement fund balances	<u>\$ 15,187,497</u>	<u>-</u>	<u>\$ -</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2015

TABLE D-5

No charter schools are chartered by Central Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Medi-Cal Billing Option	93.778	-	\$ 40,065
Total U. S. Department of Health and Human Services			<u>40,065</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	13978	127,197
Title I Cluster			
Title I Part A	84.010	14329	839,390
Title I Part A Program Improvement	84.010	14956	<u>72,428</u>
Total Title I Cluster			<u>911,818</u>
Migrant Education Cluster			
Migrant Education	84.011	14326	316,952
Migrant Education Summer	84.011	10005	<u>94,244</u>
Total Migrant Education Cluster			411,196
Special Education Cluster			
Special Education: IDEA Basic	84.027	13379	668,380
Special Education: IDEA Mental Health	84.027	14468	114,431
Total Special Education Cluster			782,811
Vocational Education	84.048	14894	119,208
Advanced Placement	84.330	14363	17,340
Title III Cluster			
Title III LEP	84.365	10084	162,148
Title III Immigrant Education	84.365	15146	<u>11,162</u>
Total Title III Cluster			<u>173,310</u>
Title II Teacher Quality	84.367	14341	91,682
Total Passed Through State Department of Education			2,634,562
Total U. S. Department of Education			2,634,562
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	188,205
National School Lunch Section 11	10.555	13396	950,675
National School Lunch Section 4	10.555	13391	143,744
Meal Supplement	10.555	23165	4,864
Noncash Commodities *	10.555	-	114,273
Total Child Nutrition Cluster			1,401,761
Total Passed Through State Department of Education			1,401,761
Total U. S. Department of Agriculture			1,401,761
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,076,388</u>

* Indicates noncash expenditure

The accompanying notes are an integral part of this schedule.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central Union High School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

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 Central Union High School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Central Union High School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central 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 the Central Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-001 and 2015-002.

Central Union High School District's Response to Findings

Central Union High School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Central Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 14, 2015



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Central Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Central Union High School District's major federal programs for the year ended June 30, 2015. Central Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Central 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 the Central Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Central 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Central 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 the Central Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 14, 2015

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA



Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for independent study because the ADA generated by the program was below the level that required testing.

Opinion on State Compliance

In our opinion, Central Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002. We did not modify our opinion with respect to this matter.

Central Union High School District's Response to Findings

Central Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Central Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 14, 2015

Findings and Recommendations Section

**CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.365	Title III Cluster
84.367	Title II Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes No

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

**CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2015-001 (10000)
Attendance Verification

Criteria or Specific Requirement

In accordance with California Education Code Section 44809 and California Code of Regulations, Title 5, Section 401, the California Department of Education is required to approve forms and procedures that constitute LEAs attendance accounting systems. Currently, the California Department of Education approves attendance systems in which teachers manually sign and date attendance registers, depending on the type of attendance accounting system used. For on-line attendance accounting systems, approval is given to systems that provide for teachers signing and dating weekly printout of attendance records entered on-line during the previous week.

Condition

In review of attendance at Central Union High School we noted that six out of eighteen teacher tested were not verifying attendance within one week of the attendance being taken. In addition, one teacher was signing and dating his rosters before the week was complete.

Questioned Costs

None. Although the teachers were not verifying attendance timely, they did input the attendance directly into an online system contemporaneously. Since teachers have first hand knowledge of the actual attendance and they maintained the attendance records contemporaneously, ADA was determined to be reported correctly.

Cause

There was a general misunderstanding that the requirement for attendance verification signatures was contemporaneous and within a week of the attendance being taken. The District has not implemented procedures to ensure that all attendance is verified timely.

Effect

The District was out of compliance with attendance procedures required by the California Department of Education.

Recommendation

Establish written attendance policies and procedures consistent with state requirements and provide training to attendance staff to ensure they have a complete understanding of the Districts established policies and procedures. Establish monitoring process to ensure sites are following District established procedures. The District may also consider submitting for approval of an electronic signature process to the California Department of Education to reduce the amount of paper and time utilized during the current attendance process.

**CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

LEA's Response

The District is in the process of reviewing its process and procedures in terms of attendance. District Administration have discussed this issue with school site administration and each attendance clerks. Attendance clerks have been advised of the requirement of receiving timely verification signatures and its importance as part of the process of entering attendance data. School Principals will notify teachers of the importance of complying with the process as well. Any exception found by the attendance clerks will be brought to the attention of the School Principal. School attendance clerks will be attending a Pupil Attendance Accounting Workshop.

Finding 2015-002 (10000)
Attendance Reporting

Criteria or Specific Requirement

Verify that attendance is reported correctly on the Second Principal and Annual Reports of attendance submitted to the California Department of Education in accordance with Education Code Sections 46000 and 46303.

Condition

In our review of attendance reported on the Second Principal (P2) and Annual Reports (Annual) of attendance we noted clerical errors in the calculation that caused the ADA to be overstated at Annual by 99.85 ADA. In addition the district left off informational items for full time independent study and continuation education that were reported in the regular ADA.

Questioned Costs

None, most funding is based on P2 ADA and therefore no adjustments are made to funding as a result of this finding.

Cause

Errors in formulas on a spreadsheet caused miscalculations in the ADA. The District did not have a review process to ensure the amounts reported were calculated correctly.

Effect

ADA was overstated on the Annual by 99.85. In addition, independent study ADA on line B-1 was understated by 5.28 and continuation education ADA on line B-4 was understated 150.31.

Recommendation

Implement review procedures to ensure that calculations of ADA are reported correctly.

LEA's Response

The District is in the process of reviewing its process and procedures in terms of attendance. The spreadsheet in question was generated sometime in the past and was based on previous reporting requirements. To address this issue, the district has implemented a new spreadsheet that will capture the necessary required reporting fields by school site. Backup documentation will be reviewed for each Attendance Report (P-1, P-2, Annual) and will also be attached to each individual report.

**CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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There were no findings reported in the prior audit report.