

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

AUDIT REPORT

JUNE 30, 2016

**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, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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 Principle

As described in Note A to the financial statements, in 2016, Central Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Central Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Central Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 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 January 31, 2017 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
January 31, 2017

**Management Discussion and Analysis
For the Central Union High School District
For the Fiscal Year Ended June 30, 2016
(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, 2016. 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 2015-16.

Financial Highlights

- The district's total net position was \$37,137,801 as of June 30, 2016. This represents a \$636,510 increase from the audited beginning balance of \$36,501,188.
- Total General and Program Revenues were \$53,983,798 as compared to \$53,347,291 in expenditures.
- Average Daily Attendance increased by 39.9 students; from 3,880.28 in 2014-15 to 3,916.18 in 2015-16.

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, and deferred inflows of resources and reports the changes that occurred during the fiscal year. The Statement of Activities reports all of the district's revenues and expenditures accounted for in the current year, regardless of when the cash was paid.

The two district-wide statements report the district's net position and how they have 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 its 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, 2016.

Summary of Statement of Net position	<u>2014-15</u>	<u>2015-16</u>
Current and other assets	\$19,609,892	\$23,961,937
Capital assets	<u>59,162,600</u>	<u>59,904,936</u>
Total assets	\$78,772,492	\$83,866,873
Deferred Outflows of Resources	5,777,143	6,379,779
Long-term debt outstanding	\$43,904,459	\$48,242,986
Other liabilities	<u>852,504</u>	<u>2,682,553</u>
Total liabilities	\$44,756,963	\$50,925,539
Deferred Inflows of Resources	7,788,329	2,183,413
Net position Invested in Capital assets, net of related debt:	\$49,741,541	51,991,979
Restricted for other Purposes	3,704,450	3,211,322
Restricted for Educational Programs	1,193,796	1,005,609
Unrestricted and Nonexpendable	<u>(20,980,355)</u>	<u>(19,071,212)</u>
Total Net position	\$33,659,432	37,137,698

Summary of Statement of Activities	<u>2014-15</u>	<u>2015-16</u>
Program revenues	\$ 6,971,079	\$8,571,473
General revenues	<u>39,243,757</u>	<u>45,412,328</u>
Total Revenues	\$46,214,836	\$53,983,801
Expenses for instruction and related services	\$27,910,497	\$35,655,036
Student support services	5,014,895	6,210,320
General administration	2,338,750	3,353,370
Maintenance & operations	5,449,208	7,199,701
Other services	42,172	28,318
Interest on long-term debt	399,319	316,426
Other	<u>1,910,763</u>	<u>584,120</u>
Total Expenses	\$43,065,604	\$53,347,291
Net Change in Assets	3,149,232	636,510

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	39,678,492	39,519,405	(159,087)
Federal Revenues	2,891,445	2,685,967	(205,477)
State Revenues	1,929,305	2,685,967	756,662
Local Revenues	2,009,088	1,382,315	(626,773)
TOTAL	46,508,330	46,273,655	(234,675)
Expenditures			
Certificated Salaries	21,262,794	20,583,030	679,764
Classified Salaries	5,897,607	6,320,412	(422,805)
Employee Benefits	7,486,061	8,593,831	(1,107,770)
Supplies	2,022,667	3,186,813	(1,164,146)
Services	4,616,060	4,907,233	(291,173)
Capital Outlay	356,351	504,729	(148,378)
Other Outgo/Transfers Out	1,773,802	488,472	1,285,330
TOTAL	43,415,344	44,584,520	(1,169,177)

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2015-16, the district had invested \$100,048,560 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$59,904,931, net of \$40,143,629 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had \$48,242,986 in long-term debt outstanding. This is an increase from prior year of \$5,985,275.

The following table summarizes the district's long-term debt as of June 30, 2016.

Central Union High School District Outstanding Long-Term Debt

	Governmental Activities	
	2015-2016	2014-2015
GO Bonds Payable & Other LT Debt	7,912,952	9,421,059
Other Long Term Debt	36,215,986	32,681,329
Capital Leases Payable	0	0
Compensated Absences Payable	3,968,154	146,982
TOTAL	48,242,986	42,249,370

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, 2016

	Governmental Activities
ASSETS	
Cash	\$ 21,824,467
Receivables	2,059,754
Stores	73,552
Prepaid Expenses	4,162
Capital Assets:	
Land	8,163,554
Land Improvements	7,445,832
Buildings	75,730,399
Equipment	6,898,813
Work in Progress	1,809,967
Less Accumulated Depreciation	(40,143,629)
Total Assets	<u>83,866,871</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,379,779</u>
LIABILITIES	
Accounts Payable	2,195,576
Unearned Revenue	486,977
Long-Term Liabilities:	
Due Within One Year	1,720,964
Due in More Than One Year	46,522,022
Total Liabilities	<u>50,925,539</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,183,413</u>
NET POSITION	
Net Investment in Capital Assets	51,991,979
Restricted for:	
Capital Projects	847,784
Debt Service	2,110,655
Educational Programs	1,005,609
Other Purposes (Expendable)	169,168
Other Purposes (Nonexpendable)	83,715
Unrestricted	(19,071,212)
Total Net Position	<u>\$ 37,137,698</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, 2016

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 30,080,651	\$ -	\$ 4,745,251	\$ 53	\$ (25,335,347)
Instruction-Related Services:					
Instructional Supervision and Administration	1,790,627	-	397,143	-	(1,393,484)
Instructional Library, Media and Technology	518,698	-	118,551	-	(400,147)
School Site Administration	3,265,060	-	460,698	-	(2,804,362)
Pupil Services:					
Home-to-School Transportation	1,239,141	-	-	-	(1,239,141)
Food Services	1,882,618	214,545	1,513,932	-	(154,141)
All Other Pupil Services	3,088,561	-	448,679	-	(2,639,882)
General Administration:					
Centralized Data Processing	967,096	-	-	-	(967,096)
All Other General Administration	2,386,274	11,379	394,817	-	(1,980,078)
Plant Services	6,155,303	8,638	244,440	-	(5,902,225)
Ancillary Services	1,044,398	-	13,347	-	(1,031,051)
Community Services	28,318	-	-	-	(28,318)
Interest on Long-Term Debt	316,426	-	-	-	(316,426)
Other Outgo - Transfers Between Agencies	584,120	-	-	-	(584,120)
Total Expenses	<u>\$ 53,347,291</u>	<u>\$ 234,562</u>	<u>\$ 8,336,858</u>	<u>\$ 53</u>	<u>\$ (44,775,818)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					3,897,031
Taxes Levied for Debt Service					1,643,398
Taxes Levied for Other Specific Purposes					184,165
Federal and State Aid Not Restricted to Specific Purposes					38,769,471
Interest and Investment Earnings					124,024
Miscellaneous					794,239
Total General Revenues					<u>\$ 45,412,328</u>
Change in Net Position					636,510
Net Position Beginning - As Restated (See Note S)					<u>36,501,188</u>
Net Position Ending					<u>\$ 37,137,698</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 18,407,550	\$ 3,410,918	\$ 21,818,468
Cash in Revolving Fund	6,000	-	6,000
Accounts Receivable	1,658,508	401,246	2,059,754
Due from Other Funds	1,080,621	-	1,080,621
Stores Inventories	52,607	20,946	73,553
Prepaid Expenditures	4,162	-	4,162
Total Assets	<u>21,209,448</u>	<u>3,833,110</u>	<u>25,042,558</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 2,025,144	\$ 47,401	\$ 2,072,545
Due to Other Funds	880,621	200,000	1,080,621
Unearned Revenue	486,978	-	486,978
Total Liabilities	<u>3,392,743</u>	<u>247,401</u>	<u>3,640,144</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	6,000	-	6,000
Stores Inventories	52,607	20,946	73,553
Prepaid Items	4,162	-	4,162
Restricted Fund Balances	1,005,609	179,618	1,185,227
Assigned Fund Balances	1,661,460	3,385,145	5,046,605
Unassigned:			
Reserve for Economic Uncertainty	15,086,867	-	15,086,867
Total Fund Balance	<u>17,816,705</u>	<u>3,585,709</u>	<u>21,402,414</u>
Total Liabilities and Fund Balances	<u>\$ 21,209,448</u>	<u>\$ 3,833,110</u>	<u>\$ 25,042,558</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances, governmental funds \$ 21,402,414

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:	100,048,560	
Accumulated depreciation:	(40,143,629)	
Net		59,904,931

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (123,032)

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	7,912,952	
Net pension liability	36,215,986	
Compensated absences	145,894	
Net OPEB obligation	3,968,154	
Total		(48,242,986)

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	5,970,910	
Deferred inflows of resources relating to pensions	(2,183,413)	

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: 408,869

Total net position, governmental activities \$ 37,137,693

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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 29,418,182	\$ -	\$ 29,418,182
Education Protection Account Funds	6,196,463	-	6,196,463
Local Sources	3,904,761	-	3,904,761
Federal Revenue	2,685,967	1,441,256	4,127,223
Other State Revenue	5,508,698	605,294	6,113,992
Other Local Revenue	1,391,994	2,831,183	4,223,177
Total Revenues	<u>49,106,065</u>	<u>4,877,733</u>	<u>53,983,798</u>
Expenditures:			
Current:			
Instruction	25,245,530	467,717	25,713,247
Instruction - Related Services	4,746,468	304,708	5,051,176
Pupil Services	3,782,365	1,834,180	5,616,545
Ancillary Services	1,009,723	-	1,009,723
Community Services	28,030	-	28,030
General Administration	3,001,522	136,684	3,138,206
Plant Services	7,434,183	222,192	7,656,375
Other Outgo	584,120	-	584,120
Capital Outlay	866,255	28,590	894,845
Debt Service:			
Principal	-	1,465,000	1,465,000
Interest	-	328,590	328,590
Total Expenditures	<u>46,698,196</u>	<u>4,787,661</u>	<u>51,485,857</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,407,869</u>	<u>90,072</u>	<u>2,497,941</u>
Other Financing Sources (Uses):			
Transfers In	2,303,779	140,000	2,443,779
Transfers Out	<u>(2,435,621)</u>	<u>(8,158)</u>	<u>(2,443,779)</u>
Total Other Financing Sources (Uses)	<u>(131,842)</u>	<u>131,842</u>	<u>-</u>
Net Change in Fund Balance	2,276,027	221,914	2,497,941
Fund Balance, July 1	15,540,678	3,363,795	18,904,473
Fund Balance, June 30	<u>\$ 17,816,705</u>	<u>\$ 3,585,709</u>	<u>\$ 21,402,414</u>

The accompanying notes are an integral part of this statement.

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, 2016

Total change in fund balances, governmental funds \$ 2,497,941

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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:

	2,712,921	
Expenditures for capital outlay	(1,970,585)	
Depreciation expense	742,336	
Net		742,336

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: 1,465,000

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: 24,054

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: (3,505,784)

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: (576,236)

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: (11,889)

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: 1,088

Change in net position of governmental activities \$ 636,510

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 429,271
Total Assets	<u>429,271</u>
LIABILITIES:	
Due to Student Groups	\$ 429,271
Total Liabilities	<u>429,271</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, 2016

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, 2016

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.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of all major governmental capital assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, 2016

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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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 in 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, 2016

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.

7. 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.

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 14 (Deferred Maintenance Fund), 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.

9. 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, 2016

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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

10. 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.

11. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

12. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

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.

Violation	Action Taken
None reported	Not applicable

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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. 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 (\$21,818,468 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$21,818,468. 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.

The Imperial County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

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

Cash balances on hand and in banks (\$429,271 as of June 30, 2016) 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, 2016

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, 2016

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, 2016, the District's bank balances (including revolving cash) of \$184,214 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, 2016

D. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Federal programs	\$ 1,013,230	\$ 280,510	\$ 1,293,740
State Government:			
Lottery	466,658	-	466,658
Other state programs	82,101	14,115	96,216
Local Sources:			
Interest	4,135	1,725	5,860
Other local sources	92,384	104,896	197,280
Totals	<u>\$ 1,658,508</u>	<u>\$ 401,246</u>	<u>\$ 2,059,754</u>

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	1,809,967	50,869	1,809,967
Total capital assets not being depreciated	<u>8,214,423</u>	<u>1,809,967</u>	<u>50,869</u>	<u>9,973,521</u>
Capital assets being depreciated:				
Buildings	75,692,769	37,630	-	75,730,399
Site improvements	6,916,106	529,726	-	7,445,832
Equipment	6,512,346	386,467	-	6,898,813
Total capital assets being depreciated	<u>89,121,221</u>	<u>953,823</u>	<u>-</u>	<u>90,075,044</u>
Less accumulated depreciation for:				
Buildings	(28,515,923)	(1,419,453)	-	(29,935,376)
Site improvements	(5,632,778)	(168,595)	-	(5,801,373)
Equipment	(4,024,343)	(382,537)	-	(4,406,880)
Total accumulated depreciation	<u>(38,173,044)</u>	<u>(1,970,585)</u>	<u>-</u>	<u>(40,143,629)</u>
Total capital assets being depreciated, net	<u>50,948,177</u>	<u>(1,016,762)</u>	<u>-</u>	<u>49,931,415</u>
Governmental activities capital assets, net	<u>\$ 59,162,600</u>	<u>\$ 793,205</u>	<u>\$ 50,869</u>	<u>\$ 59,904,936</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,820,769
Pupil Services	116,806
General Administration	9,401
Plant Services	23,609
	<u>\$ 1,970,585</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund	\$ 580,621	Deferred Maintenance
General Fund	General Fund	300,000	OPEB Reserve
General Fund	Other Governmental Funds	200,000	Temporary Loan
		-	
	Total	<u>\$ 1,080,621</u>	

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, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	General Fund	\$ 1,795,621	Deferred Maintenance
General Fund	General Fund	500,000	OPEB
General Fund	Other Governmental Funds	140,000	Temporary Loan
Other Governmental Funds	General Fund	8,158	Capital Facilities Expenditures
	Total	<u>\$ 2,443,779</u>	

G. Accounts Payable

Accounts payable at June 30, 2016 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Vendor payables	\$ 1,630,800	\$ 25,299	\$ 1,656,099
Payroll and related benefits	392,871	20,876	413,747
Pension related liabilities	1,473	1,226	2,699
Totals	<u>\$ 2,025,144</u>	<u>\$ 47,401</u>	<u>\$ 2,072,545</u>

H. Unearned Revenue

Unearned revenue at June 30, 2016, consisted of:

	General Fund
Federal Government:	
Categorical Programs	\$ 7,735
State Government:	
Categorical Programs	372,061
Local Sources:	
Local Grants	107,182
Total Unearned Revenue	<u>\$ 486,978</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. 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.

J. 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, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 9,175,000	\$ -	\$ 1,465,000	\$ 7,710,000	\$ 1,530,000
Bond premium	246,059	-	43,107	202,952	45,070
Total GO Bonds	9,421,059	-	1,508,107	7,912,952	1,575,070
Net OPEB obligation	3,391,918	895,842	319,606	3,968,154	-
Net pension liability	29,297,752	6,918,234	-	36,215,986	-
Compensated absences *	146,982	-	1,088	145,894	145,894
Total governmental activities	\$ 42,257,711	\$ 7,814,076	\$ 1,828,801	\$ 48,242,986	\$ 1,720,964

* 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

2. Debt Service Requirements

Debt service requirements on long term debt, net of bond premium, OPEB obligation, and pension liability at June 30, 2016 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 1,675,894	\$ 265,115	\$ 1,941,009
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	600,000	82,110	682,110
2022-2026	1,550,000	152,061	1,702,061
2027-2031	180,000	7,560	187,560
Totals	\$ 7,855,894	\$ 959,901	\$ 8,815,795

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2016

3. General Obligation Bonds

General obligation bonds at June 30, 2016 consisted of the following:

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount
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				<u>\$ 15,370,000</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
1992 Election Series D	\$ 935,000	\$ -	\$ 55,000	\$ 880,000
1992 Bond Premium	18,174	-	1,069	17,105
2005 Refunding Bonds	2,310,000	-	295,000	2,015,000
2005 Bond Premium	13,437	-	1,716	11,721
2011 Refunding Bonds	5,930,000	-	1,115,000	4,815,000
2011 Bond Premium	214,448	-	40,322	174,126
Total GO Bonds	<u>\$ 9,421,059</u>	<u>\$ -</u>	<u>\$ 1,508,107</u>	<u>\$ 7,912,952</u>

The annual requirements to amortize bonds at June 30, 2016 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	600,000	82,110	682,110
2022-2026	1,550,000	152,061	1,702,061
2027-2031	180,000	7,560	187,560
Totals	<u>\$ 7,710,000</u>	<u>\$ 959,901</u>	<u>\$ 8,669,901</u>

4. 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	<u>\$ 805,988</u>	<u>\$ 1,599,165</u>	<u>\$ 1,246,818</u>
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%

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

K. Components of Ending Fund Balance

As of June 30, 2016 components of ending fund balance consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balances			
Revolving Cash	\$ 6,000	\$ -	\$ 6,000
Stores Inventory	52,607	20,946	73,553
Prepaid expenses	4,162	-	4,162
Total Nonspendable	62,769	20,946	83,715
Restricted Fund Balances			
Educational Programs	1,005,609	6,411	1,012,020
Capital Projects	-	10,451	10,451
Maintenance	-	-	-
Child Nutrition Program	-	162,756	162,756
Total Restricted	1,005,609	179,618	1,185,227
Assigned Fund Balances			
OPEB	1,618,353	-	1,618,353
Capital Projects	-	858,845	858,845
Debt Service	-	2,110,655	2,110,655
Deferred Maintenance	36,772	-	36,772
Educational Programs	6,335	415,645	421,980
Total Assigned	1,661,460	3,385,145	5,046,605
Unassigned Fund Balances			
For Economic Uncertainty	15,086,867	-	15,086,867
Total Fund Balance	\$ 17,816,705	\$ 3,585,709	\$ 21,402,414

L. 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 was not available at the time this audit report was issued. It can be obtained by contacting the JPA at 1225 Main Street, El Centro, California 92244.

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, 2016

M. 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 Paid

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, 2016 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.150%	8.150%
Required employer contribution rates (at June 30, 2015)	8.880%	8.880%
Required state contribution rates (at June 30, 2015)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.56%**
Required employer contribution rates (at June 30, 2016)	10.73%	10.73%
Required state contribution rates (at June 30, 2016)	7.126%	7.126%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

CENTRAL UNION HIGH SCHOOL DISTRICT
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	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (at June 30, 2015)	7.00%	6.00%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.00%	6.00%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

*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, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% 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 8.88% 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. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

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, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% 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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

f. Contributions Recognized

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,751,498	\$ 657,856	\$ 2,409,354
Contributions - Employee	1,637,837	395,845	2,033,682
Contributions - State On Behalf Payments	926,516	-	926,516
Total Contributions	<u>\$ 4,315,851</u>	<u>\$ 1,053,701</u>	<u>\$ 5,369,552</u>

g. Pension Expense

	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ 5,414,175	\$ 1,504,059	\$ 6,918,234
Increases/(Decreases) Resulting from Changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions made subsequent to measurement date	(431,905)	(99,837)	(531,742)
Difference between actual and expected experience	(5,599)	(455,482)	(461,081)
Changes in assumptions	-	489,683	489,683
Changes in proportionate share	(1,352,086)	158,754	(1,193,332)
Net Difference between projected and actual experience	7,814	(1,723,792)	(1,715,978)
Total Pension Expense	<u>\$ 3,632,399</u>	<u>\$ (126,615)</u>	<u>\$ 3,505,784</u>

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

As of June 30, 2016, 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	\$ 28,808,217
CalPERS	7,407,769
Total Net Pension Liability	<u>\$ 36,215,986</u>

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, 2015, 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, 2014 rolled forward to June 30, 2015 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.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	
Proportion - June 30, 2014	0.0398%	0.0267%	0.0665%	0.0520%
Proportion - June 30, 2015	0.0427%	0.0226%	0.0653%	0.0503%
Change - Increase (Decrease)	<u>0.0029%</u>	<u>-0.0041%</u>	<u>-0.0012%</u>	<u>-0.0017%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$3,505,785.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,941,096	\$ -
Differences between actual and expected experience	461,081	-
Changes in assumptions	-	(489,683)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,352,086	(158,754)
Net difference between projected and actual earnings on plan investments	<u>1,216,647</u>	<u>(1,534,976)</u>
Total	<u>\$ 5,970,910</u>	<u>\$ (2,183,413)</u>

\$2,941,096 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, 2017. 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:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	\$ 757,454	\$ (669,254)	\$ 88,200
2018	757,454	(669,254)	88,200
2019	757,454	(669,255)	88,199
2020	757,452	(162,110)	595,342
Total	<u>\$ 3,029,814</u>	<u>\$ (2,169,873)</u>	<u>\$ 859,941</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
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	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	.00125-.45905% (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Industry standard published by the Society of Actuaries

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

b. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. 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.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses.

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.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

CalSTRS		
Asset Class	Allocation 06/30/15	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

*10 year geometric average used for long term expected real rate of return

CalPERS			
Asset Class	Allocation 06/30/15	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	0.00%	0.00%
Plan Level	0.40%	0.00%	0.00%
Liquidity	2.50%	-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%	6.65%
Net Pension Liability	\$ 43,387,774	\$ 12,056,764
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 28,808,217	\$ 7,407,769
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 16,557,557	\$ 3,541,822

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

d. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	\$ 165,475,964	\$ 126,627,153	\$ 38,848,811	\$ 15,596,986	\$ 23,251,825
Adjustment for CalSTRS Audit Adjustments	-	(105,660)	105,660	(36,555)	142,215
Balance at June 30, 2015 (As Adjusted)	<u>165,475,964</u>	<u>126,521,493</u>	<u>38,954,471</u>	<u>15,560,431</u>	<u>23,394,040</u>
Changes for the year:					
Change in proportionate share	(3,036,894)	(2,323,923)	(712,971)	(2,403,079)	1,690,108
Service cost	3,625,842	-	3,625,842	1,254,437	2,371,405
Interest	12,109,635	-	12,109,635	4,189,586	7,920,049
Differences between expected and actual experience	(856,210)	-	(856,210)	(296,224)	(559,986)
Contributions:					
Employer	-	1,751,498	(1,751,498)	(604,599)	(1,146,899)
Employee	-	1,637,837	(1,637,837)	(566,644)	(1,071,193)
State On Behalf	-	926,516	(926,516)	(321,917)	(604,599)
Net investment income	-	4,967,354	(4,967,354)	(1,718,562)	(3,248,792)
Other income	-	2,568	(2,568)	(888)	(1,680)
Benefit payments, including refunds of employee contributions	(8,199,648)	(8,199,648)	-	-	-
Administrative expenses	-	(100,552)	100,552	34,788	65,764
Net Changes	<u>3,642,725</u>	<u>(1,338,350)</u>	<u>4,981,075</u>	<u>(433,102)</u>	<u>5,414,177</u>
Balance at June 30, 2016	<u>\$ 169,118,689</u>	<u>\$ 125,183,143</u>	<u>\$ 43,935,546</u>	<u>\$ 15,127,329</u>	<u>\$ 28,808,217</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CalPERS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	\$ 35,514,928	\$ 29,611,218	\$ 5,903,710
Changes for the year:			
Adjustment for Change in Proportionate Share	(1,193,762)	(995,320)	(198,442)
Service cost	816,656	-	816,656
Interest	2,589,445	-	2,589,445
Differences between expected and actual experience	569,353	-	569,353
Changes in assumptions	(612,104)	-	(612,104)
Contributions - Employer	-	657,856	(657,856)
Contributions - Employee	-	395,845	(395,845)
Net plan to plan resource movement	-	(65)	65
Net investment income	-	639,439	(639,439)
Benefit payments, including refunds of employee contributions	(1,675,573)	(1,675,573)	-
Administrative expenses	-	(32,226)	32,226
Net Changes	<u>494,015</u>	<u>(1,010,044)</u>	<u>1,504,059</u>
Balance at June 30, 2016	<u>\$ 36,008,943</u>	<u>\$ 28,601,174</u>	<u>\$ 7,407,769</u>

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

N. 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 \$839.23 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 \$761.23 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 344 eligible active employees, 20 eligible retirees, and excludes employees hired after the valuation date.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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 2015-16, the District contributed \$319,606 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	\$ 956,320
Interest on net OPEB obligation	135,677
Adjustment to annual required contribution	(196,155)
Annual OPEB cost (expense)	<u>895,842</u>
Contribution made	<u>(319,606)</u>
Decrease in net OPEB obligation	576,236
Net OPEB obligation, beginning of year	3,391,918
Net OPEB obligation, end of year	<u>\$ 3,968,154</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	898,226	25.0%	2,781,273
2015	886,216	31.1%	3,391,918
2016	895,842	35.7%	3,968,154

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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In the July 1, 2015 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, 2015 of 23 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.

O. 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).

GASB 68 and GASB 71 require that certain items be recorded as deferred outflows of resources and amortized over a five year period. These items are detailed in Note N.

A summary of the deferred outflow of resources as of June 30, 2016 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005 Loss on Refunding Bonds	17 Years	\$ 200,885	\$ -	\$ 28,698	\$ 172,187
2011 Loss on Refunding Bonds Pension Related	13 Years	262,980	-	26,298	236,682
		2,409,354	6,728,364	3,166,808	5,970,910
Total Deferred Outflows of Resources		\$ 2,873,219	\$ 6,728,364	\$ 3,221,804	\$ 6,379,779

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2005 Bonds	2011 Bonds	Pension	Total
2017	\$ 28,698	\$ 26,298	\$ 3,698,550	\$ 3,753,546
2018	28,698	26,298	757,454	812,450
2019	28,698	26,298	757,454	812,450
2020	28,698	26,298	757,452	812,448
2021	28,698	26,298	-	54,996
2022-2026	28,697	105,192	-	133,889
Totals	\$ 172,187	\$ 236,682	\$ 5,970,910	\$ 408,869

P. Deferred Inflows of Resources

GASB Statement No. 68 requires that changes in assumptions, changes in proportionate share, and the net difference between projected and actual earnings on plan investments be recorded as deferred inflows of resources and amortized over five years. Details of deferred inflows of resources and remaining amortization are available in Note N.

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2016

Q. Adjustment to Beginning Balance

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	\$ 33,659,432
Adjustments for:	
Net Pension Liability Corrections	(8,342)
Deferred Outflows of Resources - Pension Related Corrections	(2,903,924)
Deferred Inflows of Resources - Pension Related Corrections	<u>5,754,022</u>
Net Position, Beginning (As Restated)	<u>\$ 36,501,188</u>

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, 2016 the District had the following construction commitments:

<u>Project</u>	<u>Construction Commitment</u>	<u>Expected Date of Completion</u>
Southwest High School Modernization Project	\$ 1,895,372	December 2016*
Phoenix Rising Campus Project	447,304	December 2016*
Information Technology Wiring Project	359,379	July 2016*

*Expected date of completion subject to change.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

S. Subsequent Events

New Debt Issuance

October 25, 2016 the District issued \$12,000,000 in General Obligation Bonds, Election of 2016, Series 2016 which were authorized at a scheduled election of the registered voters of the Central Union High School District held on June 7, 2016, at which election the requisite fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds not to exceed \$30,000,000. The Series 2016 Bonds are being issued (i) to finance the repair, upgrading, acquisition, construction and equipping of the District sites and facilities, (ii) to fund all or a portion of the interest due on the Series 2016 Bonds on each interest payment date through and including February 1, 2019 and (iii) to pay the cost of issuing the Series 2016 Bonds. In addition, the District also issued \$2,480,000 in General Obligation Refunding Bonds with the 2016 Series Bonds. The refunding bonds were issued by the District (i) to refund all or a portion of the District's prior Bonds, and (ii) to pay the costs of issuing the refunding bonds. Interest on the bonds, at rates varying from 2.00% to 5.00% will accrue from their date of delivery and are payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds were issued in denominations of \$5,000 or any integral multiple thereof.

New Accounting Pronouncements

GASB Statement No. 74

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

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

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

- The gross dollar amount of taxes abated during the period.

- Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements

- The specific taxes being abated

- The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

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

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

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

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

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

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 31,005,599	\$ 29,543,439	\$ 29,418,182	\$ (125,257)
Education Protection Account Funds	5,554,352	6,250,627	6,196,463	(54,164)
Local Sources	3,118,541	3,742,847	3,904,761	161,914
Federal Revenue	2,891,445	2,963,753	2,685,967	(277,786)
Other State Revenue	1,929,305	4,551,413	5,508,698	957,285
Other Local Revenue	2,009,088	1,307,182	1,382,315	75,133
Total Revenues	<u>46,508,330</u>	<u>48,359,261</u>	<u>49,096,386</u>	<u>737,125</u>
Expenditures:				
Current:				
Certificated Salaries	21,262,794	21,260,468	20,583,035	677,433
Classified Salaries	5,897,607	6,315,214	6,320,417	(5,203)
Employee Benefits	7,486,061	7,611,905	8,593,827	(981,922)
Books And Supplies	2,022,667	4,165,854	3,186,810	979,044
Services And Other Operating Expenditures	4,616,060	5,630,286	4,907,229	723,057
Other Outgo	1,864,815	576,228	584,120	(7,892)
Direct Support/Indirect Costs	(91,012)	(97,685)	(95,648)	(2,037)
Capital Outlay	356,351	1,795,768	504,730	1,291,038
Total Expenditures	<u>43,415,343</u>	<u>47,258,038</u>	<u>44,584,520</u>	<u>2,673,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,092,987</u>	<u>1,101,223</u>	<u>4,511,866</u>	<u>3,410,643</u>
Other Financing Sources (Uses):				
Transfers In	1,000	1,000	8,158	7,158
Transfers Out	(1,794,546)	(1,855,000)	(2,435,621)	(580,621)
Total Other Financing Sources (Uses)	<u>(1,793,546)</u>	<u>(1,854,000)</u>	<u>(2,427,463)</u>	<u>(573,463)</u>
Net Change in Fund Balance	1,299,441	(752,777)	2,084,403	2,837,180
Fund Balance, July 1	14,070,841	14,070,841	14,070,841	-
Fund Balance, June 30	<u>\$ 15,370,282</u>	<u>\$ 13,318,064</u>	<u>\$ 16,155,244</u>	<u>\$ 2,837,180</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS- OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/08	\$ -	\$ 5,053,311	\$ 5,053,311	-	\$ 23,554,000	21.45%
07/01/10	-	5,631,360	5,631,360	-	22,064,000	25.52%
07/01/13	-	7,568,462	7,568,462	-	25,383,000	29.82%
07/01/15	-	7,831,064	7,831,064	-	28,093,000	27.88%

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 *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0427%	0.0398%	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)	\$ 28,808,217	\$ 23,394,042	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	15,127,328	15,560,430	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability associated with the District	<u>\$ 43,935,545</u>	<u>\$ 38,954,472</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 20,348,583	\$ 19,724,077	\$ 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	141.57%	118.61%	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	74.02%	76.52%	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.

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,183,403	\$ 1,751,498	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(2,183,403)	(1,751,498)	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
District's covered-employee payroll	\$ 20,348,583	\$ 19,724,077	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	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.

See Accompanying Notes to Required Supplementary Information

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0503%	0.0520%	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)	\$ 7,407,769	\$ 5,903,710	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 6,395,653	\$ 5,588,786	\$ 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	115.83%	105.63%	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	79.43%	83.38%	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.

See Accompanying Notes to Required Supplementary Information.

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 757,693	\$ 657,856	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(757,693)	(657,856)	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
District's covered-employee payroll	\$ 6,395,653	\$ 5,588,786	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	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.

See Accompanying Notes to Required Supplementary Information.

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

Excess of Expenditures Over Appropriations

As of June 30, 2016, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Classified Salaries	\$ 5,203	The District underestimated classified salary costs
Employee Benefits	981,922	The District did not budget for State On Behalf Payments
Other Outgo	7,892	The District underestimated other outgo costs

Schedule of District's Proportionate Share - California State Teachers Retirement System (CalSTRS)

Benefit Changes: In 2015 & 2016 there were no changes to benefits

Changes in Assumptions: In 2015 & 2016 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System (CalSTRS)

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 & June 30, 2015 used the following actuarial methods and assumptions:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010	July 1, 2007 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post Retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members using the RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are industry standard of mortality rates published by the Society of Actuaries. See CalSTRS experience analysis published on the CalSTRS website for more information.

Schedule of District's Proportionate Share - California Public Employee's Retirement System (CalPERS)

Benefit Changes: In 2015 & 2016 there were no changes to benefits.

Changes in Assumptions: In 2015 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District Contributions - California Public Employee's Retirement System (CalPERS)

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 & June 30, 2015 used the following actuarial methods and assumptions:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 1996 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Benefit Increases	2.00% Simple	2.00% - 2.75%

The mortality table used was developed based on CalPERS specified data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the experience studies available on the CalPERS website.

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, 2016

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 432,476	\$ 2,107,193	\$ 871,249	\$ 3,410,918
Accounts Receivable	396,403	3,462	1,381	401,246
Stores Inventories	20,946	-	-	20,946
Total Assets	<u>849,825</u>	<u>2,110,655</u>	<u>872,630</u>	<u>3,833,110</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 44,067	\$ -	\$ 3,334	\$ 47,401
Due to Other Funds	200,000	-	-	200,000
Total Liabilities	<u>244,067</u>	<u>-</u>	<u>3,334</u>	<u>247,401</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	20,946	-	-	20,946
Restricted Fund Balances	169,167	-	10,451	179,618
Assigned Fund Balances	415,645	2,110,655	858,845	3,385,145
Total Fund Balance	<u>605,758</u>	<u>2,110,655</u>	<u>869,296</u>	<u>3,585,709</u>
Total Liabilities and Fund Balances	<u>\$ 849,825</u>	<u>\$ 2,110,655</u>	<u>\$ 872,630</u>	<u>\$ 3,833,110</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, 2016

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 1,441,256	\$ -	\$ -	\$ 1,441,256
Other State Revenue	591,124	14,170	-	605,294
Other Local Revenue	833,322	1,637,950	359,911	2,831,183
Total Revenues	<u>2,865,702</u>	<u>1,652,120</u>	<u>359,911</u>	<u>4,877,733</u>
Expenditures:				
Current:				
Instruction	467,717	-	-	467,717
Instruction - Related Services	304,708	-	-	304,708
Pupil Services	1,834,180	-	-	1,834,180
General Administration	95,648	-	41,036	136,684
Plant Services	107,850	-	114,342	222,192
Capital Outlay	7,255	-	21,335	28,590
Debt Service:				
Principal	-	1,465,000	-	1,465,000
Interest	-	328,590	-	328,590
Total Expenditures	<u>2,817,358</u>	<u>1,793,590</u>	<u>176,713</u>	<u>4,787,661</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>48,344</u>	<u>(141,470)</u>	<u>183,198</u>	<u>90,072</u>
Other Financing Sources (Uses):				
Transfers In	140,000	-	-	140,000
Transfers Out	-	-	(8,158)	(8,158)
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>-</u>	<u>(8,158)</u>	<u>131,842</u>
Net Change in Fund Balance	188,344	(141,470)	175,040	221,914
Fund Balance, July 1	417,414	2,252,125	694,256	3,363,795
Fund Balance, June 30	<u>\$ 605,758</u>	<u>\$ 2,110,655</u>	<u>\$ 869,296</u>	<u>\$ 3,585,709</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 312,733	\$ 119,743	\$ 432,476
Accounts Receivable	130,781	265,622	396,403
Stores Inventories	-	20,946	20,946
Total Assets	<u>443,514</u>	<u>406,311</u>	<u>849,825</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 21,458	\$ 22,609	\$ 44,067
Due to Other Funds	-	200,000	200,000
Total Liabilities	<u>21,458</u>	<u>222,609</u>	<u>244,067</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	20,946	20,946
Restricted Fund Balances	6,411	162,756	169,167
Assigned Fund Balances	415,645	-	415,645
Total Fund Balance	<u>422,056</u>	<u>183,702</u>	<u>605,758</u>
Total Liabilities and Fund Balances	<u>\$ 443,514</u>	<u>\$ 406,311</u>	<u>\$ 849,825</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, 2016

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 121,220	\$ 1,320,036	\$ 1,441,256
Other State Revenue	488,209	102,915	591,124
Other Local Revenue	368,494	464,828	833,322
Total Revenues	<u>977,923</u>	<u>1,887,779</u>	<u>2,865,702</u>
Expenditures:			
Current:			
Instruction	467,717	-	467,717
Instruction - Related Services	304,708	-	304,708
Pupil Services	37,975	1,796,205	1,834,180
General Administration	-	95,648	95,648
Plant Services	35,240	72,610	107,850
Capital Outlay	-	7,255	7,255
Total Expenditures	<u>845,640</u>	<u>1,971,718</u>	<u>2,817,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>132,283</u>	<u>(83,939)</u>	<u>48,344</u>
Other Financing Sources (Uses):			
Transfers In	-	140,000	140,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>140,000</u>	<u>140,000</u>
Net Change in Fund Balance	132,283	56,061	188,344
Fund Balance, July 1	289,773	127,641	417,414
Fund Balance, June 30	<u>\$ 422,056</u>	<u>\$ 183,702</u>	<u>\$ 605,758</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 839,265	\$ 10,508	\$ 21,476	\$ 871,249
Accounts Receivable	1,344	-	37	1,381
Total Assets	<u>840,609</u>	<u>10,508</u>	<u>21,513</u>	<u>872,630</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 3,334	\$ -	\$ -	\$ 3,334
Total Liabilities	<u>3,334</u>	<u>-</u>	<u>-</u>	<u>3,334</u>
Fund Balance:				
Restricted Fund Balances	-	10,451	-	10,451
Assigned Fund Balances	837,275	57	21,513	858,845
Total Fund Balance	<u>837,275</u>	<u>10,508</u>	<u>21,513</u>	<u>869,296</u>
Total Liabilities and Fund Balances	<u>\$ 840,609</u>	<u>\$ 10,508</u>	<u>\$ 21,513</u>	<u>\$ 872,630</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, 2016

	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 347,785	\$ 53	\$ 12,073	\$ 359,911
Total Revenues	<u>347,785</u>	<u>53</u>	<u>12,073</u>	<u>359,911</u>
Expenditures:				
Current:				
General Administration	41,036	-	-	41,036
Plant Services	114,342	-	-	114,342
Capital Outlay	21,335	-	-	21,335
Total Expenditures	<u>176,713</u>	<u>-</u>	<u>-</u>	<u>176,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>171,072</u>	<u>53</u>	<u>12,073</u>	<u>183,198</u>
Other Financing Sources (Uses):				
Transfers Out	(8,158)	-	-	(8,158)
Total Other Financing Sources (Uses)	<u>(8,158)</u>	<u>-</u>	<u>-</u>	<u>(8,158)</u>
Net Change in Fund Balance	162,914	53	12,073	175,040
Fund Balance, July 1	674,361	10,455	9,440	694,256
Fund Balance, June 30	<u>\$ 837,275</u>	<u>\$ 10,508</u>	<u>\$ 21,513</u>	<u>\$ 869,296</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, 2016

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 three 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>
Jacinto Jimenez	President	Four year term Expires November 30, 2016
Todd Evangelist	Clerk	Four year term Expires November 30, 2018
Emma L. Jones	Member	Four year term Expires November 30, 2018
Steve Walker	Member	Four year term Expires November 30, 2016
Ryan Childers	Member	Four year term Expires November 30, 2016

Administration

Renato Montano
Superintendent

Sheri Hart
Assistant Superintendent
Educational Services

Arnold Preciado
Assistant Superintendent
Business Services

Carol Moreno
Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2016

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Central High School				
Grades 9-12:				
Regular ADA	1,799.55	N/A	1,791.19	N/A
Extended Year Special Education	0.73	N/A	0.73	N/A
Grades 9-12 Totals	<u>1,800.28</u>	<u>N/A</u>	<u>1,791.92</u>	<u>N/A</u>
Southwest High School				
Grades 9-12:				
Regular ADA	1,974.12	N/A	1,968.26	N/A
Extended Year Special Education	-	N/A	-	N/A
Grades 9-12 Totals	<u>1,974.12</u>	<u>N/A</u>	<u>1,968.26</u>	<u>N/A</u>
Phoenix Rising High School				
Grades 9-12:				
Regular ADA	21.47	N/A	20.92	N/A
Extended Year Special Education	-	N/A	-	N/A
Grades 9-12 Totals	<u>21.47</u>	<u>N/A</u>	<u>20.92</u>	<u>N/A</u>
Desert Oasis High School - Continuation Education				
Grades 9-12:				
Regular ADA	120.61	N/A	117.77	N/A
Extended Year Special Education	-	N/A	-	N/A
Grades 9-12 Totals	<u>120.61</u>	<u>N/A</u>	<u>117.77</u>	<u>N/A</u>
ADA Totals	<u><u>3,916.48</u></u>	<u><u>N/A</u></u>	<u><u>3,898.87</u></u>	<u><u>N/A</u></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, 2016

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Central High School					
Grade 9	64,800	69,136	180	-	Complied
Grade 10	64,800	69,136	180	-	Complied
Grade 11	64,800	69,136	180	-	Complied
Grade 12	64,800	69,136	180	-	Complied
Southwest High School					
Grade 9	64,800	69,136	180	-	Complied
Grade 10	64,800	69,136	180	-	Complied
Grade 11	64,800	69,136	180	-	Complied
Grade 12	64,800	69,136	180	-	Complied
Phoenix Rising High School					
Grade 9	64,800	61,650	180	-	Did Not Comply

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, 2016

TABLE D-3

General Fund	Budget 2017 (See Note 1)	2016	2015	2014
Revenues and other financial sources	\$ 51,053,312	\$ 49,104,544	\$ 41,780,677	\$ 38,875,916
Expenditures, other uses and transfers out	52,457,019	47,020,141	40,149,057	38,853,057
Change in fund balance (deficit)	(1,403,707)	2,084,403	1,631,620	22,859
Ending fund balance	\$ 14,751,536	\$ 16,155,243	\$ 14,070,840	\$ 12,439,220
Available reserves (See Note 2)	\$ 13,831,679	\$ 15,086,866	\$ 12,459,732	\$ 10,347,462
Available reserves as a percentage of total outgo (See Note 3)	26.4%	33.0%	31.8%	27.3%
Total long-term debt	\$ 46,522,022	\$ 48,242,986	\$ 42,257,711	\$ 15,672,523
Average daily attendance at P-2	3,916	3,916	3,880	3,857

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 \$3,716,023 (29.9%) over the past two years. The fiscal year 2016-17 budget projects a decrease of \$1,403,707 (8.7%). 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 increased by \$32,570,463 over the past two years (See Note 5).

Average daily attendance has increased by 59 over the past two years.

Notes:

- 1 Budget 2017 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$1,256,372, \$926,782, and \$967,987, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Deferred Maintenance Fund (Fund 14), 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 years ended June 30, 2015 and 2016 include net pension liabilities which were not previously accounted for. As such, total long term debt for the years ended June 30, 2015 and 2016 are not comparable to previous years represented in this table.

CENTRAL UNION HIGH SCHOOL DISTRICT

TABLE D-4

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

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects	Special Reserve Fund For Postemployment Benefits
June 30, 2016, annual financial and budget report fund balances	\$ 16,155,244	\$ 36,772	\$ 6,335	\$ 1,618,354
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
GASB #54 fund consolidation	1,661,461	(36,772)	(6,335)	(1,618,354)
June 30, 2016, audited financial statement fund balances	\$ 17,816,705	\$ -	\$ -	\$ -

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, 2016

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
 FOR THE YEAR ENDED JUNE 30, 2016

TABLE D-6
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 186,274
National School Lunch Program Noncash Commodities	10.555	13396	-	157,833
National School Lunch Program Section 11	10.555	13396	-	954,900
National School Lunch Program Section 4	10.555	13523	-	143,332
National School Lunch Program Meal Supplements	10.555	13527	-	35,530
Total Passed Through State Department of Education			-	1,477,869
Total U. S. Department of Agriculture			-	1,477,869
Total Child Nutrition Cluster			-	1,477,869
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	154,624
Total U. S. Department of Health and Human Services			-	154,624
Total Medicaid Cluster			-	154,624
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	637,745
IDEA Mental Health	84.027	14468	-	97,612
Total Passed Through State Department of Education			-	735,357
Total U. S. Department of Education			-	735,357
Total Special Education (IDEA) Cluster			-	735,357
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Adult Education	84.002	14508 & 13978	-	121,220
Title I	84.010	14329	-	859,999
Migrant Education	84.011	14838 & 10005	-	593,255
Carl D. Perkins Career & Technical Education	84.048	14894	-	111,850
Advanced Placement Testing	84.330	14831	-	20,746
Title III	84.365	15146 & 14346	-	87,529
Title II Teacher Quality	84.367	14341	-	122,607
Total Passed Through State Department of Education			-	1,917,206
Total U. S. Department of Education			\$ -	\$ 1,917,206
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,285,056

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, 2016

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 7.95% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title I	84.010	7.08%
Carl D. Perkins Career & Technical Education	84.048	5.00%
Title III Limited English Proficiency	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	5.12%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the School in it's schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$859,999

Other Independent Auditor's Reports



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

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

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, 2016, 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 January 31, 2017.

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) 2016-001 and 2016-002.

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
January 31, 2017



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 the Uniform Guidance

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson-Hadley King & Co LLP

El Cajon, California
January 31, 2017



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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 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, 2016.

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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. 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	N/A
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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
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
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	N/A
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	Yes
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 for the program was below the level which 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, 2016.

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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 & 2016-002.

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson-Hadley King + Co LLP

El Cajon, California
January 31, 2017

Findings and Recommendations Section

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 X No

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

Noncompliance material to financial statements noted? X Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.011	Migrant Education

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X 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, 2016

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2016-001 (40000)
Instructional Time

Criteria or Specific Requirement

In accordance with Education Code Section 46201(b)(3), a school district must offer minimum annual instructional minutes by grade level in order to receive longer day incentive funding. Grades 9-12 are required to offer a minimum of 64,800 annual instructional minutes.

Condition

In our review over instructional time, Phoenix Rising High School did not offer the required minimum annual instructional minutes for grade 9. The impacted students were short 3,150 minutes.

Cause

Phoenix Rising High School shared a campus with Desert Oasis High School which operates a continuation education program. The continuation education program carries different requirements as attendance is granted hourly rather than daily. The school site principal did not recognize that the minutes requirements were different for the two programs and planned the Phoenix Rising High School minutes on the same bell schedule as the continuation program.

Effect

Students in 9th grade at Phoenix Rising High School were short 3,150 minutes during the 2015-16 fiscal year. As a result the local control funding formula apportionment was overfunded based upon the percentage of instructional time.

Questioned Costs

\$519,177

Questioned costs were calculated using the Instructional Time Penalties calculator prepared by the California Department of Education for 2015-16 and applying to the affected grade span ADA for the District Phoenix Rising High School ADA for grade 9 was 21.47 at P2. ADA for 9th grade at the district was 1,138.85.

Recommendation

Implement review procedure over instructional minute calculations and work with individual school sites to ensure bell (class) schedules are meeting the required minimum instructional minutes for each grade level.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

LEA's Response

The Central Union High School District has implemented a process whereby all school site bell schedules are reviewed annually through the Business & Support Services office. All school site bell schedules are reviewed prior to the beginning of the school year in order to ensure that all schools meet or exceed the required daily and annual minutes. School site bell schedules are then approved and sent to school site administration to implement for the upcoming school year. Principals have been directed not to make any modifications to the schedules unless previously approved by the Assistant Superintendent of Business and Support Services.

The District has modified and corrected said exception regarding Phoenix Rising High School for the 2016- 17 school year. For 2016-17, the Phoenix Rising High School, based on the new modified bell schedule, will generate 70,338 minutes for the year. This is 5,538 minutes above the minimum 64,800 minutes required for grades 9-12. The District will implement this same bell schedule for the 2017-18 school year for which the Phoenix Rising High School will also exceed the annual minimum minutes by 5,538.

The District will be submitting a waiver request to the State Board of Education regarding this exception. The District will meet the conditions of the waiver and will make up the required minutes of 3,150 for the 2016-17 and the 2017-18 school year.

Finding 2016-002 (40000)
LCFF Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify a sample of students claimed on the "1.18 - FRPM/English Learner/Foster Youth - Student List" report under the English Learner (EL) to supporting documentation that indicates the student was eligible for the designation. Supporting documentation includes a copy of the parent/guardian notification letter that states the pupil is initially designated as an EL or is a continuing EL, and a copy of the California English Language Development Test (CELDT) Student Performance Level Report that indicates the student's overall performance and domain scores do not meet CELDT criterion for English proficiency, or (b) if the results on the Student Performance Level Report indicate that the student has met the CELDT criterion for English proficiency, the LEA's Policy/Procedures for reclassification and documentation that was used to determine the student's EL status consistent with the LEA policy.

Condition

In our review of students reported as Free and Reduced Price Meal (FPRM) eligible on Form "1.18 – FRPM/English Learner/Foster Youth -Student List" we found that 1 of the 7 selected for testing for students eligible under EL Only was incorrectly designated as eligible under EL.

Questioned Costs

\$9,011 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts of extrapolated errors.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Audit Adjustments to the counts are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	4,120	0	4,120
Unduplicated Pupil Counts:			
Free & Reduced Meal Program (FRPM)	505	0	505
English Learners (ELAS)	59	(9)	50
Both FRPM & ELAS	230	0	230
Other Funded (Dir. Certification, etc.)	2,341	0	2,341
Total Unduplicated Pupil Counts	<u>3,135</u>	<u>(9)</u>	<u>3,126</u>

Context

Supplemental and concentration grant amounts (as part of the LCFF Funding) are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- 1) Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- 2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Cause

The District did not have controls in place to review and ensure that all students redesignated as English proficient were updated through the CALPADS system and that all students reported on the CALPADS 1.18 report were eligible for the designation.

Effect

Supplemental and Concentration grants were over funded based on the additional students included in the unduplicated pupil counts.

Recommendation

Implement a process to double check students reported for unduplicated pupil counts prior to the final re-certification date for CalPADS. Re-certify with corrected numbers for any known errors.

LEA's Response

The Central Union High School District has implemented procedures for verifying students labeled as EL in the schools' student information system (Aeries) and in CALPADs are correctly identified as such. School site EL Program staff will review EL student lists to affirm that the language designations as input in Aeries by registrars are accurate. The District's Data Analyst (CALPADs Coordinator) will generate reports that list students for which there is a discrepancy between what is in Aeries and CALPADs. EL Program staff will cross check discrepancy reports and make corrections as needed.

CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2015-001 Attendance Verification</p> <p>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.</p> <p>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.</p>	Implemented	
<p>Finding 2015-002 Attendance Reporting</p> <p>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.</p> <p>Implement review procedures to ensure that calculations of ADA are reported correctly.</p>	Implemented	

CENTRAL UNION HIGH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	001	Finding:	Phoenix Rising High School did not offer the required number of instructional minutes for grade 9.	
		Questioned Costs:	CFDA # N/A	Amount \$519,177
		Status:	In Progress	
		Corrective Action:	The District has revised the bell schedule in 2016-17 to make up minutes short at Phoenix Rising High School. The District will keep the excess minutes through 2017-18 and is applying for a waiver of the minutes requirement in 2015-16 on the grounds that they are making up the minutes for the next two consecutive years.	
		Completion Date:	In Progress on January 31, 2017	
2016	002	Finding:	One student in our sample was incorrectly identified as an English Learner for Unduplicated Pupil Counts.	
		Questioned Costs:	CFDA # N/A	Amount \$9,011
		Status:	In Progress	
		Corrective Action:	The District has revised procedures to ensure all students reported for unduplicated pupil counts are eligible for the designation.	
		Completion Date:	In Progress on January 31, 2017	