

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

**AUDIT REPORT
(REVISED)**

JUNE 30, 2014

**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, 2014

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Central Union High School District
351 Ross Avenue
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 Central Union High School District ("the District") as of and for the year ended June 30, 2014, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2014, Central Union High School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014 on our consideration of Central Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 4, 2014, except for
compliance with relation to federal
major programs as to which the date
is May 14, 2015

Management Discussion and Analysis For the Central Union High School District For the Fiscal Year Ended June 30, 2014 (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, 2014. 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 2013-14.

Financial Highlights

- The district's total Net Position were \$63,750,858 as of June 30, 2014. This represents a \$526,250 decrease from the audited beginning balance of \$64,280,108.
- Total General and Program Revenues were \$43,078,137 as compared to \$43,037,503 in expenditures.
- Average Daily Attendance decreased by 40.84 students; from 3,897.91 in 2012-13 to 3,857.07 in 2013-14.

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 and liabilities 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 and liabilities, is a common tool used by outside agencies to measure the district's fiscal health or determine it's financial position. Over time, increases or decreases in the district's Net Position are an indicator of whether its financial position is improving or deteriorating.

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

The Statement of Net Position and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the districts financial position as of June 30, 2014.

Summary of Statement of Net Position	<u>2013-14</u>	<u>2012-13</u>
Current and other assets	\$21,106,731	\$19,531,532
Capital assets	<u>60,557,744</u>	<u>61,337,693</u>
Total assets	\$81,664,475	\$80,869,225
Long-term debt outstanding	\$13,152,331	\$14,839,926
Other liabilities	<u>5,280,147</u>	<u>257,007</u>
Total liabilities	\$18,432,478	\$17,417,933
Net Investment in Capital Assets	\$47,816,550	\$47,438,768
Restricted Expendable	4,605,047	3,667,190
Restricted for Educational Programs	2,352,805	1,463,285
Unrestricted and Nonexpendable	<u>8,976,456</u>	<u>10,882,049</u>
Total Net Position	\$63,750,858	\$63,451,292

Summary of Statement of Activities	<u>2013-14</u>	<u>2012-13</u>
Program revenues	\$ 7,058,879	\$6,640,993
General revenues	<u>35,039,043</u>	<u>30,277,794</u>
Total Revenues	\$42,097,922	\$36,918,787
Expenses for instruction and related services	\$27,033,085	\$22,448,652
Student support services	4,975,276	4,660,659
General administration	2,733,304	2,237,177
Maintenance & operations	5,941,902	6,372,524
Other services	38,007	78,009
Interest on long-term debt	553,588	595,660
Other	<u>1,352,010</u>	<u>0</u>
Total Expenses	\$422,627,172	\$36,392,681
Change in Net Position	(\$529,250)	\$526,106

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)
LCFF Sources	30,378,690	30,416,331	37,641
Federal Revenues	3,025,377	2,640,164	(385,213)
State Revenues	2,688,453	2,741,351	52,898
Local Revenues	2,168,877	2,106,748	(62,129)
TOTAL	38,261,397	37,904,594	(356,803)
Expenditures			
Certificated Salaries	18,378,770	18,973,378	(594,608)
Classified Salaries	5,566,380	5,595,316	(28,936)
Employee Benefits	5,816,978	5,712,866	104,112
Supplies	4,355,189	2,448,567	1,906,623
Services	3,959,613	3,164,181	795,432
Capital Outlay	1,504,066	728,582	775,484
Other Outgo/Transfers Out	1,439,327	1,262,181	177,146
TOTAL	41,020,323	37,885,070	3,135,253

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2013-14, the district had invested \$96,757,015 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$60,557,744, net of \$36,199,271 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had \$15,672,523 in long-term debt outstanding. This is a decrease from prior year of \$773,247

The following table summarizes the district's long-term debt as of June 30, 2014.

Central Union High School District Outstanding Long-Term Debt

Governmental Activities

	2013-2014	2012-2013
GO Bonds Payable & Other LT Debt	10,862,269	11,920,000
Other Long Term Debt	4,660,198	4,364,926
Capital Leases Payable	0	0
Compensated Absences Payable	150,056	119,844
TOTAL	15,672,523	16,404,770

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 Merritt Merten, Fiscal Services Supervisor, at (760) 336-4503 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, 2014

	Governmental Activities
ASSETS	
Cash	\$ 14,593,714
Receivables	6,435,176
Stores	77,841
Capital Assets:	
Land	8,163,554
Land Improvements	8,156,319
Buildings	75,158,423
Equipment	5,278,719
Less Accumulated Depreciation	(36,199,271)
Total Assets	<u>81,664,475</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>518,861</u>
LIABILITIES	
Accounts Payable	2,605,382
Unearned Revenue	154,573
Long-Term Liabilities:	
Due Within One Year	3,470,192
Due in More Than One Year	12,202,331
Total Liabilities	<u>18,432,478</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	47,816,550
Restricted for:	
Capital Projects	2,590,878
Debt Service	1,930,328
Educational Programs	2,352,805
Other Purposes (Expendable)	83,841
Other Purposes (Nonexpendable)	125,074
Unrestricted	8,851,382
Total Net Position	<u>\$ 63,750,858</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, 2014

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	\$ 22,231,078	\$ -	\$ 3,860,653	\$ 42	\$ (18,370,383)
Instruction-Related Services:					
Instructional Supervision and Administration	1,509,554	-	479,594	-	(1,029,960)
Instructional Library, Media and Technology	426,141	-	93,681	-	(332,460)
School Site Administration	2,866,312	-	129,901	-	(2,736,411)
Pupil Services:					
Home-to-School Transportation	1,043,701	-	-	-	(1,043,701)
Food Services	1,688,223	277,429	1,408,038	-	(2,756)
All Other Pupil Services	2,243,352	-	330,154	-	(1,913,198)
General Administration:					
Centralized Data Processing	621,778	-	-	-	(621,778)
All Other General Administration	2,111,526	14,898	175,940	-	(1,920,688)
Plant Services	4,669,523	11,114	255,675	-	(4,402,734)
Ancillary Services	1,272,379	-	21,760	-	(1,250,619)
Community Services	38,007	-	-	-	(38,007)
Interest on Long-Term Debt	553,588	-	-	-	(553,588)
Other Outgo - Transfers Between Agencies	1,352,010	-	-	-	(1,352,010)
Total Expenses	<u>\$ 42,627,172</u>	<u>\$ 303,441</u>	<u>\$ 6,755,396</u>	<u>\$ 42</u>	<u>\$ (35,568,293)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					3,041,943
Taxes Levied for Debt Service					1,743,363
Taxes Levied for Other Specific Purposes					179,110
Federal and State Aid Not Restricted to Specific Purposes					28,591,133
Interest and Investment Earnings					78,145
Interagency Revenues					830,781
Miscellaneous					574,568
Total General Revenues					<u>\$ 35,039,043</u>
Change in Net Position					(529,250)
Net Position Beginning - As Restated (See Note R)					64,280,108
Net Position Ending					<u>\$ 63,750,858</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 9,816,754	\$ 4,770,959	\$ 14,587,713
Cash in Revolving Fund	6,000	-	6,000
Accounts Receivable	6,220,028	215,149	6,435,177
Due from Other Funds	8,026	-	8,026
Stores Inventories	28,559	49,282	77,841
Total Assets	<u>16,079,367</u>	<u>5,035,390</u>	<u>21,114,757</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 2,375,687	\$ 36,140	\$ 2,411,827
Due to Other Funds	-	8,026	8,026
Unearned Revenue	154,573	-	154,573
Total Liabilities	<u>2,530,260</u>	<u>44,166</u>	<u>2,574,426</u>
Fund Balance:			
Nonspendable Fund Balances	34,559	49,282	83,841
Restricted Fund Balances	2,057,199	135,427	2,192,626
Committed Fund Balances	-	2,225,933	2,225,933
Assigned Fund Balances	1,109,887	2,580,582	3,690,469
Unassigned Fund Balances	10,347,462	-	10,347,462
Total Fund Balance	<u>13,549,107</u>	<u>4,991,224</u>	<u>18,540,331</u>
Total Liabilities and Fund Balances	<u>\$ 16,079,367</u>	<u>\$ 5,035,390</u>	<u>\$ 21,114,757</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, 2014

Total fund balances, governmental funds \$ 18,540,331

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:	96,757,015	
Accumulated depreciation:	<u>(36,199,271)</u>	
	Net	60,557,744

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs on the statement of net position are: (193,555)

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	10,862,269	
Compensated absences	150,056	
Other general long-term debt	1,878,925	
Net OPEB obligation	<u>2,781,273</u>	
	Total	(15,672,523)

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: 518,861

Total net position, governmental activities \$ 63,750,858

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, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 22,283,120	\$ -	\$ 22,283,120
Education Protection Account Funds	5,086,779	-	5,086,779
Local Sources	3,046,432	-	3,046,432
Federal Revenue	2,640,163	1,407,866	4,048,029
Other State Revenue	3,709,338	223,581	3,932,919
Other Local Revenue	2,112,116	2,568,742	4,680,858
Total Revenues	<u>38,877,948</u>	<u>4,200,189</u>	<u>43,078,137</u>
Expenditures:			
Instruction	21,432,554	316,285	21,748,839
Instruction - Related Services	4,609,717	23,822	4,633,539
Pupil Services	3,311,578	1,687,354	4,998,932
Ancillary Services	721,998	-	721,998
Community Services	37,333	-	37,333
General Administration	2,658,774	95,642	2,754,416
Plant Services	4,729,093	86,460	4,815,553
Other Outgo	1,352,010	-	1,352,010
Debt Service:			
Principal	-	1,445,000	1,445,000
Interest	-	529,883	529,883
Total Expenditures	<u>38,853,057</u>	<u>4,184,446</u>	<u>43,037,503</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,891</u>	<u>15,743</u>	<u>40,634</u>
Other Financing Sources (Uses):			
Transfers In	3,336	-	3,336
Transfers Out	-	(3,336)	(3,336)
Total Other Financing Sources (Uses)	<u>3,336</u>	<u>(3,336)</u>	<u>-</u>
Net Change in Fund Balance	28,227	12,407	40,634
Fund Balance, July 1	13,520,880	4,978,817	18,499,697
Fund Balance, June 30	<u>\$ 13,549,107</u>	<u>\$ 4,991,224</u>	<u>\$ 18,540,331</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, 2014

Total change in fund balances, governmental funds	\$	40,634
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
	Expenditures for capital outlay	756,859
	Depreciation expense	<u>(2,044,236)</u>
	Net	(1,287,377)
<p>Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>		
		1,445,000
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>		
		(8,319)
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		(673,591)
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>		
		(15,385)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>		
		<u>(30,212)</u>
Change in net position of governmental activities	\$	<u><u>(529,250)</u></u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 397,110
Total Assets	<u>397,110</u>
LIABILITIES:	
Due to Student Groups	\$ 397,110
Total Liabilities	<u>397,110</u>
NET POSITION:	
Total Net Position	<u><u>\$ -</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, 2014

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, 2014

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 account for the acquisition and/or construction of all major governmental general fixed 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, 2014

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, 2014

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 during the benefiting period.

c. Capital Assets

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

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

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

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 combined 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 Balance Reserves and Designations

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, 2014

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. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

8. 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.

9. Use of Estimates

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

10. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2014 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 594,608
Classified Salaries	28,936

General Fund: Budgets were prepared based on salaries prior to negotiations were complete with unions. As a result actual salaries were greater than originally budgeted amounts.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$14,587,713 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$14,634,669. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

Cash balances on hand and in banks (\$397,110 as of June 30, 2014) and in the revolving fund (\$6,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

3. Investments:

The District's investments at June 30, 2014 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
Imperial County Pooled Investment Funds	737	\$ 14,587,713	\$ 14,634,669

4. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

5. 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. The Imperial County Investment Pool is rated AA+ by Standard & Poors.

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.

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, 2014, the District's bank balances (including revolving cash) of \$137,596 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.

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

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.

6. 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.

E. Accounts Receivable

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Federal programs	\$ 540,077	\$ 113,086	\$ 653,163
State Government:			
LCFF state aid	4,844,897	-	4,844,897
Lottery	347,803	-	347,803
Special education	221,939	-	221,939
Other state programs	193,143	20,553	213,696
Local Sources:			
Interest	10,977	2,820	13,797
Other local sources	61,192	78,690	139,882
Totals	<u>\$ 6,220,028</u>	<u>\$ 215,149</u>	<u>\$ 6,435,177</u>

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

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

F. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	955,132	-	955,132	-
Total capital assets not being depreciated	<u>9,118,686</u>	<u>-</u>	<u>955,132</u>	<u>8,163,554</u>
Capital assets being depreciated:				
Buildings	73,921,233	1,237,190	-	75,158,423
Site improvements	8,156,319	-	-	8,156,319
Equipment	4,803,918	474,801	-	5,278,719
Total capital assets being depreciated	<u>86,881,470</u>	<u>1,711,991</u>	<u>-</u>	<u>88,593,461</u>
Less accumulated depreciation for:				
Buildings	(25,608,479)	(1,423,655)	-	(27,032,134)
Site improvements	(5,341,736)	(359,722)	-	(5,701,458)
Equipment	(3,204,820)	(260,859)	-	(3,465,679)
Total accumulated depreciation	<u>(34,155,035)</u>	<u>(2,044,236)</u>	<u>-</u>	<u>(36,199,271)</u>
Total capital assets being depreciated, net	<u>52,726,435</u>	<u>(332,245)</u>	<u>-</u>	<u>52,394,190</u>
Governmental activities capital assets, net	<u>\$ 61,845,121</u>	<u>\$ (332,245)</u>	<u>\$ 955,132</u>	<u>\$ 60,557,744</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,058,902
Instruction-Related Services	79,006
Pupil Services	111,853
Ancillary Services	549,060
General Administration	36,175
Plant Services	209,240
	<u>\$ 2,044,236</u>

G. Deferred Outflows of Resources

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

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

A summary of the deferred outflow of resources as of June 30, 2014 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005 Loss on Refunding Bonds	17 Years	\$ 258,281	\$ -	\$ 28,698	\$ 229,583
2011 Loss on Refunding Bonds	13 Years	315,576	-	26,298	289,278
Total Deferred Outflows of Resources		<u>\$ 573,857</u>	<u>\$ -</u>	<u>\$ 54,996</u>	<u>\$ 518,861</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2005 Bonds	2011 Bonds	Total
2015	\$ 28,698	\$ 26,298	\$ 54,996
2016	28,698	26,298	54,996
2017	28,698	26,298	54,996
2018	28,698	26,298	54,996
2019	28,698	26,298	54,996
2020-2024	86,093	157,788	243,881
Totals	\$ 229,583	\$ 289,278	\$ 518,861

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 8,026	Reimbursement of expenses
	Total	\$ 8,026	

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, 2014 consisted of the following:

Transfers From	Transfers To	Amount	Purpose
Capital Facilities Fund	General Fund	\$ 3,336	Administration fees
	Total	\$ 3,336	

I. Accounts Payable

Accounts payable at June 30, 2014 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Vendor payables	\$ 595,404	\$ 26,192	\$ 621,596
Payroll and related benefits	1,043,279	9,948	1,053,227
Repayment of revenue items	737,004	-	737,004
Totals	\$ 2,375,687	\$ 36,140	\$ 2,411,827

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

J. Unearned Revenue

Unearned revenue at June 30, 2014 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Federal programs	\$ 30,618	\$ -	\$ 30,618
State Government:			
State programs	110,045	-	110,045
Local Sources:			
Local programs	13,910	-	13,910
Totals	<u>\$ 154,573</u>	<u>\$ -</u>	<u>\$ 154,573</u>

K. Short-Term Debt Activity

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

L. 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, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds					
Principal balance	\$ 11,920,000	\$ -	\$ 1,345,000	\$ 10,575,000	\$ 1,400,000
Bond premium	326,879	-	39,610	287,269	41,211
Total GO Bonds	<u>12,246,879</u>	<u>-</u>	<u>1,384,610</u>	<u>10,862,269</u>	<u>1,441,211</u>
Net OPEB obligation	2,107,682	898,226	224,635	2,781,273	-
Compensated absences *	119,844	30,212	-	150,056	150,056
Other long-term debt	1,978,925	-	100,000	1,878,925	1,878,925
Total governmental activities	<u>\$ 16,453,330</u>	<u>\$ 928,438</u>	<u>\$ 1,709,245</u>	<u>\$ 15,672,523</u>	<u>\$ 3,470,192</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation and premium at June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 3,428,981	\$ 427,552	\$ 3,856,533
2016	1,465,000	324,136	1,789,136
2017	1,530,000	265,115	1,795,115
2018	1,595,000	203,116	1,798,116
2019	1,675,000	144,261	1,819,261
2020-2024	2,355,000	313,494	2,668,494
2025-2029	555,000	33,915	588,915
Totals	\$ 12,603,981	\$ 1,711,589	\$ 14,315,570

3. General Obligation Bonds

General obligation bonds at June 30, 2014 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				\$ 15,370,000

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
1992 Election Series D	\$ 1,040,000	\$ -	\$ 50,000	\$ 990,000
1992 Bond Premium	20,216	-	973	19,243
2005 Refunding Bonds	2,860,000	-	270,000	2,590,000
2005 Bond Premium	16,637	-	1,571	15,066
2011 Refunding Bonds	8,020,000	-	1,025,000	6,995,000
2011 Bond Premium	290,026	-	37,066	252,960
Total GO Bonds	\$ 12,246,879	\$ -	\$ 1,482,619	\$ 10,862,269

The annual requirements to amortize bonds at June 30, 2014 were as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,400,000	\$ 380,579	\$ 1,780,579
2016	1,465,000	324,136	1,789,136
2017	1,530,000	265,115	1,795,115
2018	1,595,000	203,116	1,798,116
2019	1,675,000	144,261	1,819,261
2020-2024	2,355,000	313,494	2,668,494
2025-2029	555,000	33,915	588,915
Totals	\$ 10,575,000	\$ 1,664,616	\$ 12,239,616

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

4. Other General Long Term Debt

Other general long term debt at June 30, 2014 consisted of the following:

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount
Abatti Land Trust	11/23/09	5.00%	12/28/14	\$ <u>2,278,925</u>
	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
Abatti Land Trust	\$ <u>1,978,925</u>	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>1,878,925</u>

The annual requirements to amortize other general long term debt at June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ <u>1,878,925</u>	\$ <u>46,973</u>	\$ <u>1,925,898</u>
Totals	\$ <u>1,878,925</u>	\$ <u>46,973</u>	\$ <u>1,925,898</u>

5. Bond Premiums

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

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

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

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

M. Components of Ending Fund Balance

As of June 30, 2014 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	28,559	49,282	77,841
Restricted Fund Balances			
Educational Programs	2,057,199	-	2,057,199
Capital Projects	-	10,353	10,353
Child Nutrition Program	-	125,074	125,074
Committed Fund Balances			
Adult Education	-	295,606	295,606
Debt Service	-	1,930,327	1,930,327
Assigned Fund Balances			
Educational Programs	6,254	-	6,254
Other Post Employment Benefits	1,103,633	-	1,103,633
Capital Projects	-	2,580,582	2,580,582
Unassigned Fund Balances			
For Economic Uncertainty	1,136,552	-	1,136,552
Other Unassigned	9,210,910	-	9,210,910
Total Fund Balance	\$ 13,549,107	\$ 4,991,224	\$ 18,540,331

N. Joint Ventures (Joint Powers Agreements)

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

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

Complete financial information for IVPL can be obtained by contacting the JPA at 1225 Main Street, El Centro, California, 92244. The District's condensed share of audited financial information for IVPL for the year ended June 30, 2014 is as follows:

Contributions	\$ 139,224
Paid Losses	(5,215)
Change in Net Position	134,009
Net Position - Beginning of Year	(14,796)
Net Position - End of Year	<u>\$ 119,213</u>

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, 2014

O. Employee Retirement Systems

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 State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$649,566, \$579,345 and \$438,680, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$1,546,797, \$1,346,465 and \$1,108,663, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$975,701 (5.204002% of salaries subject to STRS). 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, 2014

P. Postemployment Benefits Other Than Pension Benefits

Plan Description

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

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-14, the District contributed \$224,635 to the Plan, which was primarily used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 935,806
Interest on net OPEB obligation	84,307
Adjustment to annual required contribution	(121,887)
Annual OPEB cost (expense)	<u>898,226</u>
Contribution made	<u>(224,635)</u>
Decrease in net OPEB obligation	673,591
Net OPEB obligation, beginning of year	2,107,682
Net OPEB obligation, end of year	<u><u>\$ 2,781,273</u></u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2013, and 2014 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 702,257	44%	\$ 1,614,754
2013	709,047	30%	2,107,682
2014	898,226	25%	2,781,273

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation

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

Q. 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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Construction Commitments

As of June 30, 2014 the district did not have any construction commitments for unfinished projects.

R. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards all debt issue costs, except for prepaid insurance, are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position. In addition, as the District reviewed capital assets and long term liabilities in preparation for making changes associated with GASB Statement No. 65, errors from previous years were corrected. Changes to beginning net position for change in accounting policy and corrections of errors are as follows:

Net Position, Beginning (As Originally Stated)	\$ 63,451,592
Corrections for underreported capital assets	507,428
Corrections for underreported bond premium	(48,560)
GASB No. 65 change in accounting policies	<u>369,648</u>
Net Position, Beginning (As Restated)	<u>\$ 64,280,108</u>

S. Subsequent Events

New Accounting Pronouncement

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

This Statement is effective for the 2014-15 fiscal year.

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

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

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

CENTRAL UNION HIGH SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment	\$ 16,890,606	\$ 23,173,625	\$ 22,283,120	\$ (890,505)
Education Protection Account Funds	5,086,779	5,086,779	5,086,779	-
Local Sources	2,811,637	2,118,286	3,046,432	928,146
Federal Revenue	2,792,017	3,025,377	2,640,163	(385,214)
Other State Revenue	5,600,136	2,688,453	2,741,351	52,898
Other Local Revenue	1,517,291	2,168,877	2,106,748	(62,129)
Total Revenues	<u>34,698,466</u>	<u>38,261,397</u>	<u>37,904,593</u>	<u>(356,804)</u>
Expenditures:				
Current:				
Certificated Salaries	17,545,932	18,378,770	18,973,378	(594,608)
Classified Salaries	5,140,196	5,566,380	5,595,316	(28,936)
Employee Benefits	5,677,390	5,816,978	5,712,867	104,111
Books And Supplies	3,379,030	4,355,189	2,449,230	1,905,959
Services And Other Operating Expenditures	3,215,850	3,959,613	3,164,177	795,436
Other Outgo	-	1,529,156	1,352,010	177,146
Direct Support/Indirect Costs	(97,181)	(89,829)	(89,829)	-
Capital Outlay	1,154,156	1,504,066	727,921	776,145
Total Expenditures	<u>36,015,373</u>	<u>41,020,323</u>	<u>37,885,070</u>	<u>3,135,253</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,316,907)</u>	<u>(2,758,926)</u>	<u>19,523</u>	<u>2,778,449</u>
Other Financing Sources (Uses):				
Transfers In	-	3,336	3,336	-
Transfers Out	(87,397)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	<u>(87,397)</u>	<u>(6,664)</u>	<u>3,336</u>	<u>10,000</u>
Net Change in Fund Balance	<u>(1,404,304)</u>	<u>(2,765,590)</u>	<u>22,859</u>	<u>2,788,449</u>
Fund Balance, July 1	12,416,361	12,416,361	12,416,361	-
Fund Balance, June 30	<u>\$ 11,012,057</u>	<u>\$ 9,650,771</u>	<u>\$ 12,439,220</u>	<u>\$ 2,788,449</u>

The accompanying notes to required supplementary information are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS- OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2014

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	-	\$ 23,554,527	21.45%
07/01/10	-	5,631,360	5,631,360	-	22,063,872	25.52%
07/01/13	-	7,568,462	7,568,462	-	25,382,870	29.82%

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014

Budgetary Comparison Schedule - General Fund

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

General Fund - Fund Financial Statements Ending Fund Balance	\$ 13,549,107
Less Fund 17 Fund Balance	(6,254)
Less Fund 20 Fund Balance	(1,103,633)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 12,439,220</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 28,227
Change in Fund Balance attributed to Fund 17	(30)
Change in Fund Balance attributed to Fund 20	(5,338)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 22,859</u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 17 and Fund 20)	\$ 38,875,916
Less On Behalf Payments for year ended June 30, 2014	(967,987)
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	<u>\$ 37,907,929</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 17 and Fund 20)	\$ 38,853,057
Less On Behalf Payments for year ended June 30, 2014	(967,987)
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	<u>\$ 37,885,070</u>

Combining Statements and Budget Comparisons as Supplementary Information

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

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	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	\$ 252,044	\$ 1,928,645	\$ 2,590,270	\$ 4,770,959
Accounts Receivable	211,190	1,683	2,276	215,149
Stores Inventories	49,282	-	-	49,282
Total Assets	<u>512,516</u>	<u>1,930,328</u>	<u>2,592,546</u>	<u>5,035,390</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 34,528	\$ -	\$ 1,612	\$ 36,140
Due to Other Funds	8,026	-	-	8,026
Total Liabilities	<u>42,554</u>	<u>-</u>	<u>1,612</u>	<u>44,166</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	49,282	-	-	49,282
Restricted Fund Balances	125,075	-	10,352	135,427
Committed Fund Balances	295,605	1,930,328	-	2,225,933
Assigned Fund Balances	-	-	2,580,582	2,580,582
Total Fund Balance	<u>469,962</u>	<u>1,930,328</u>	<u>2,590,934</u>	<u>4,991,224</u>
Total Liabilities and Fund Balances	<u>\$ 512,516</u>	<u>\$ 1,930,328</u>	<u>\$ 2,592,546</u>	<u>\$ 5,035,390</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, 2014

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 1,407,866	\$ -	\$ -	\$ 1,407,866
Other State Revenue	205,963	17,618	-	223,581
Other Local Revenue	632,135	1,730,690	205,917	2,568,742
Total Revenues	<u>2,245,964</u>	<u>1,748,308</u>	<u>205,917</u>	<u>4,200,189</u>
Expenditures:				
Instruction	316,285	-	-	316,285
Instruction - Related Services	23,822	-	-	23,822
Pupil Services	1,687,354	-	-	1,687,354
General Administration	89,829	-	5,813	95,642
Plant Services	67,016	-	19,444	86,460
Debt Service:				
Principal	-	1,345,000	100,000	1,445,000
Interest	-	433,437	96,446	529,883
Total Expenditures	<u>2,184,306</u>	<u>1,778,437</u>	<u>221,703</u>	<u>4,184,446</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,658</u>	<u>(30,129)</u>	<u>(15,786)</u>	<u>15,743</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(3,336)	(3,336)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,336)</u>	<u>(3,336)</u>
Net Change in Fund Balance	61,658	(30,129)	(19,122)	12,407
Fund Balance, July 1	408,304	1,960,457	2,610,056	4,978,817
Fund Balance, June 30	<u>\$ 469,962</u>	<u>\$ 1,930,328</u>	<u>\$ 2,590,934</u>	<u>\$ 4,991,224</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 195,930	\$ 56,114	\$ 252,044
Accounts Receivable	109,151	102,039	211,190
Stores Inventories	-	49,282	49,282
Total Assets	<u>305,081</u>	<u>207,435</u>	<u>512,516</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 9,476	\$ 25,052	\$ 34,528
Due to Other Funds	-	8,026	8,026
Total Liabilities	<u>9,476</u>	<u>33,078</u>	<u>42,554</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	49,282	49,282
Restricted Fund Balances	-	125,075	125,075
Committed Fund Balances	295,605	-	295,605
Total Fund Balance	<u>295,605</u>	<u>174,357</u>	<u>469,962</u>
Total Liabilities and Fund Balances	<u>\$ 305,081</u>	<u>\$ 207,435</u>	<u>\$ 512,516</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, 2014

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 130,870	\$ 1,276,996	\$ 1,407,866
Other State Revenue	106,718	99,245	205,963
Other Local Revenue	164,876	467,259	632,135
Total Revenues	<u>402,464</u>	<u>1,843,500</u>	<u>2,245,964</u>
Expenditures:			
Instruction	316,285	-	316,285
Instruction - Related Services	23,822	-	23,822
Pupil Services	14,561	1,672,793	1,687,354
General Administration	-	89,829	89,829
Plant Services	-	67,016	67,016
Total Expenditures	<u>354,668</u>	<u>1,829,638</u>	<u>2,184,306</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>47,796</u>	<u>13,862</u>	<u>61,658</u>
Net Change in Fund Balance	47,796	13,862	61,658
Fund Balance, July 1	247,809	160,495	408,304
Fund Balance, June 30	<u>\$ 295,605</u>	<u>\$ 174,357</u>	<u>\$ 469,962</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	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	\$ 662,366	\$ 10,409	\$ 1,917,495	\$ 2,590,270
Accounts Receivable	529	-	1,747	2,276
Total Assets	<u>662,895</u>	<u>10,409</u>	<u>1,919,242</u>	<u>2,592,546</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 1,612	\$ -	\$ -	\$ 1,612
Total Liabilities	<u>1,612</u>	<u>-</u>	<u>-</u>	<u>1,612</u>
Fund Balance:				
Restricted Fund Balances	-	10,352	-	10,352
Assigned Fund Balances	661,283	57	1,919,242	2,580,582
Total Fund Balance	<u>661,283</u>	<u>10,409</u>	<u>1,919,242</u>	<u>2,590,934</u>
Total Liabilities and Fund Balances	<u>\$ 662,895</u>	<u>\$ 10,409</u>	<u>\$ 1,919,242</u>	<u>\$ 2,592,546</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, 2014

	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	\$ 186,848	\$ 42	\$ 19,027	\$ 205,917
Total Revenues	<u>186,848</u>	<u>42</u>	<u>19,027</u>	<u>205,917</u>
Expenditures:				
General Administration	5,813	-	-	5,813
Plant Services	18,137	-	1,307	19,444
Debt Service:				
Principal	-	-	100,000	100,000
Interest	-	-	96,446	96,446
Total Expenditures	<u>23,950</u>	<u>-</u>	<u>197,753</u>	<u>221,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>162,898</u>	<u>42</u>	<u>(178,726)</u>	<u>(15,786)</u>
Other Financing Sources (Uses):				
Transfers Out	(3,336)	-	-	(3,336)
Total Other Financing Sources (Uses)	<u>(3,336)</u>	<u>-</u>	<u>-</u>	<u>(3,336)</u>
Net Change in Fund Balance	159,562	42	(178,726)	(19,122)
Fund Balance, July 1	501,721	10,367	2,097,968	2,610,056
Fund Balance, June 30	<u>\$ 661,283</u>	<u>\$ 10,409</u>	<u>\$ 1,919,242</u>	<u>\$ 2,590,934</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, 2014

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

Governing Board

Name	Office	Term and Term Expiration
Emma L. Jones	President	Four year term Expires November 30, 2014
Ryan Childers	Clerk	Four year term Expires November 30, 2016
Jacinto Jimenez	Member	Four year term Expires November 30, 2016
Jeanne Vogel	Member	Four year term Expires November 30, 2014
Steve Walker	Member	Four year term Expires November 30, 2016

Administration

Bryan Thomason
Superintendent

Sheri Hart
Assistant Superintendent

Carol Moreno
Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2014

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 9-12:				
Regular ADA	3,856.71	N/A	3,837.44	N/A
Extended Year Special Education	0.36	N/A	0.36	N/A
Grades 9-12 Totals	<u>3,857.07</u>	<u>N/A</u>	<u>3,837.80</u>	<u>N/A</u>
ADA Totals	<u><u>3,857.07</u></u>	<u><u>N/A</u></u>	<u><u>3,837.80</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 DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2014**TABLE D-2**

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	63,000	65,825	180	-	Complied
Grade 10	64,800	63,000	65,825	180	-	Complied
Grade 11	64,800	63,000	65,825	180	-	Complied
Grade 12	64,800	63,000	65,825	180	-	Complied

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

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

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

TABLE D-3

General Fund	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 41,619,442	\$ 38,875,916	\$ 33,631,496	\$ 34,241,061
Expenditures, other uses and transfers out	40,339,957	38,853,057	32,797,377	33,519,904
Change in fund balance (deficit)	1,279,485	22,859	834,119	721,157
Ending fund balance	\$ 13,718,705	\$ 12,439,220	\$ 12,416,361	\$ 11,582,242
Available reserves (See Note 2)	\$ 11,626,947	\$ 10,347,462	\$ 10,917,562	\$ 10,321,547
Available reserves as a percentage of total outgo (See Note 3)	28.8%	27.3%	34.1%	31.5%
Total long-term debt	\$ 12,202,331	\$ 15,672,523	\$ 16,404,770	\$ 17,682,341
Average daily attendance at P-2	3,857	3,857	3,898	3,837

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 \$856,979 (7.4%) over the past two years. The fiscal year 2014-2015 budget projects an increase of \$1,279,485 (10.3%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$2,009,818 over the past two years.

Average daily attendance has increased by 20 over the past two years.

Notes:

- 1 Budget 2015 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 \$967,987, \$836,996, and \$790,816, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013 and 2012.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CENTRAL UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Special Reserve Fund for Postemployment Benefits</u>
June 30, 2014, annual financial and budget report fund balances	\$ 12,439,220	\$ 6,254	\$ 1,103,633
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB #54 inclusion of special reserve funds	<u>1,109,887</u>	<u>(6,254)</u>	<u>(1,103,633)</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 13,549,107</u>	<u>-</u>	<u>\$ -</u>

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

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2014

TABLE D-5

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

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

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

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal Billing Option	93.778	-	\$ 100,503
Total U. S. Department of Health and Human Services			100,503
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Adult Education	84.002	14508	130,871
Title I Cluster			
Title I Part A	84.010	14329	895,858
Title I Part A Program Improvement	84.010	14956	198,837
Total Title I Cluster			1,094,695
Migrant Education Cluster			
Migrant Education	84.011	14326	271,146
Migrant Education Summer	84.011	10005	115,781
Total Migrant Education Cluster			386,927
Special Education Cluster			
Special Education: IDEA Basic	84.027	13379	587,774
Special Education: IDEA Mental Health	84.027	14468	97,612
Total Special Education Cluster			685,386
Vocational Education	84.048	14894	103,292
Advanced Placement	84.330	14363	12,330
Gear Up Program	84.334	10088	12,396
Title III Cluster			
Title III LEP	84.365	10084	134,381
Title III Immigrant Education	84.365	15146	16,863
Total Title III Cluster			151,244
Title II Teacher Quality	84.367	14341	177,595
Total Passed Through State Department of Education			2,754,736
Total U. S. Department of Education			2,754,736
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	191,881
National School Lunch Section 11	10.555	13396	926,955
National School Lunch Section 4	10.555	13391	143,146
Meal Supplement	10.555	23165	6,838
Noncash Commodities *	10.555	-	89,287
Total Child Nutrition Cluster			1,358,107
Total Passed Through State Department of Education			1,358,107
Total U. S. Department of Agriculture			1,358,107
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,213,346

* Indicates noncash expenditure

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

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

Other Independent Auditor's Reports

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

Board of Trustees
Central Union High School District
351 Ross Avenue
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, 2014, and the related notes to the financial statements, which collectively comprise Central Union High School District's basic financial statements, and have issued our report thereon dated December 4, 2014.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 4, 2014 except for compliance
related to federal major programs as to which
the date is May 14, 2015

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Central Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Central Union High School District's major federal programs for the year ended June 30, 2014. Central Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Central Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Central Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Central Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Union High School District's internal control over compliance.

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

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

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
May 14, 2015

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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2014.

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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	N/A
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	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. The procedure was not required to be performed since the ADA generated by independent study is below the level that requires 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, 2014.

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 *Standards and Procedures for Audits of California K-12 Local Education Agencies* 2013-14, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 4, 2014

Findings and Recommendations Section

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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? Yes X 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 section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.027	Special Education Cluster
84.048	Vocational Education

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

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 Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes X 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, 2014

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the 2012-13 audit.		