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

AUDIT REPORT

JUNE 30, 2017

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, 2017

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

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CPAs AND ADVISORS

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Kevin A. Sproul, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Union High School District ("the District") as of and for the year ended June 30, 2017, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District as of June 30, 2017, 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.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements**.** The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of Central Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 15, 2017

Management Discussion and Analysis
For the Central Union High School District
For the Fiscal Year Ended June 30, 2017
(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, 2017. 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 2016-17.

Financial Highlights

- The district's total net position was $36,891,692 as of June 30, 2017. This represents a $246,008 decrease from the prior year of $37,137,700.

- Total General and Program Revenues were $57,362,832 as compared to $57,608,840 in expenditures.

- Average Daily Attendance increased by 12.62 students; from 3,916.18 in 2015-16 to 3,928.80 in 2016-17.

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
Notes to Financial Statements
Required Supplementary Information

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

The District-wide financial statements report information about the district as a whole. All funds are included. There are two types of District-wide Statements; the Statement of Net position and the Statement of Activities. The Statement of Net position includes all of the district's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. 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 its financial position. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating.

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

The Statement of Net position and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the districts financial position as of June 30, 2017.

Comparative Statement of Net Position

	June 30, 2016	June 30, 2017	Change	% Change
Assets				
Current Assets:				
Cash	$ 21,824,467	$ 36,414,317	$ 14,589,850	66.85%
Receivables	2,059,754	1,504,556	(555,198)	-26.95%
Inventory	73,552	90,408	16,856	22.92%
Prepaid Expenses	4,162	-	(4,162)	-100.00%
Total Current Assets	23,961,935	38,009,281	14,047,346	58.62%
Capital Assets:				
Land	8,163,554	8,163,554	-	0.00%
Improvements	7,445,832	7,586,347	140,515	1.89%
Buildings	75,730,399	75,730,399	-	0.00%
Equipment	6,898,813	7,875,255	976,442	14.15%
Work in Progress	1,809,967	6,327,254	4,517,287	249.58%
Accumulated Depreciation	(40,143,629)	(42,219,429)	(2,075,800)	5.17%
Total Capital Assets	59,904,936	63,463,380	3,558,444	5.94%
Total Assets	83,866,871	101,472,661	17,605,790	20.99%
Deferred Outflows of Resources	6,379,779	8,544,433	2,164,654	33.93%
Liabilities				
Current Liabilities:				
Accounts Payable	2,195,576	1,980,715	(214,861)	-9.79%
Unearned Revenue	486,977	1,197,302	710,325	145.86%
Total Current Liabilities	2,682,553	3,178,017	495,464	18.47%
Long-Term Liabilities:				
Due Within One Year	1,720,964	2,184,523	463,559	26.94%
Due In More Than One Year	46,522,022	65,006,507	18,484,485	39.73%
Total Long-Term Liabilities	48,242,986	67,191,030	18,948,044	39.28%
Total Liabilities	50,925,539	70,369,047	19,443,508	38.18%
Deferred Inflows of Resources	2,183,413	2,756,355	572,942	26.24%
Net Position				
Net Investment in Capital Assets	51,991,979	54,652,583	2,660,604	5.12%
Restricted	4,216,931	6,773,141	2,556,210	60.62%
Unrestricted	(19,071,210)	(24,534,032)	(5,462,822)	28.64%
Total Net Position	$ 37,137,700	$ 36,891,692	$ (246,008)	-0.66%

Comparative Statement of Activities

	Year Ended June 30, 2016	Year Ended June 30, 2017	Change	% Change
Revenue				
Program Revenue:				
Charges for Services	$ 234,562	$ 278,346	$ 43,784	18.67%
Operating Grants	8,336,858	9,356,576	1,019,718	12.23%
Capital Grants	53	54	1	1.89%
Total Program Revenue	8,571,473	9,634,976	1,063,503	12.41%
General Revenue:				
Taxes and subventions	5,724,594	6,345,204	620,610	10.84%
Unrestricted Federal & State Aid	38,769,471	40,081,512	1,312,041	3.38%
Interest	124,024	152,488	28,464	22.95%
Miscellaneous	794,239	1,148,652	354,413	44.62%
Total General Revenue	45,412,328	47,727,856	2,315,528	5.10%
Total Revenue	53,983,801	57,362,832	3,379,031	6.26%
Expenses				
Instruction & Related Services	35,655,036	38,643,555	2,988,519	8.38%
Student Support services	6,210,320	6,896,849	686,529	11.05%
General Administration	3,353,370	4,050,454	697,084	20.79%
Maintenance & Operations	6,155,303	5,756,831	(398,472)	-6.47%
Other Services	1,072,716	1,010,410	(62,306)	-5.81%
Interest	316,426	408,842	92,416	29.21%
Other Outgo	584,120	841,899	257,779	44.13%
Total Expenses	53,347,291	57,608,840	4,261,549	7.99%
Change in Net Position	636,510	(246,008)	(882,518)	-138.65%
Net Position - Beginning	36,501,190	37,137,700	636,510	1.74%
Net Position - Ending	$ 37,137,700	$ 36,891,692	$ (246,008)	-0.66%

Proprietary and Fiduciary Fund Types

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

Fiduciary Fund Types

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

Analysis of General Fund Budget

Over the course of the year, the district revised the annual operating budget several times. The following table is an analysis of the budget verses actual expenditures within the general fund.

Analysis of Budget Verses Actual

REVENUES	Budget	Actual	Variance Favorable (Unfavorable)
Revenue Limit Sources	42,159,936	42,194,277	34,341
Federal Revenues	2,744,194	2,399,163	(345,031)
State Revenues	2,291,866	4,970,956	2,679,090
Local Revenues	1,116,191	1,457,207	341,016
TOTAL	48,312,187	51,021,603	2,709,416
Expenditures			
Certificated Salaries	22,442,883	21,812,287	630,596
Classified Salaries	6,573,031	6,929,536	(356,505)
Employee Benefits	8,401,345	9,650,701	(1,249,356)
Supplies	3,231,878	2,600,369	631,509
Services	4,111,432	3,970,546	140,886
Capital Outlay	464,347	840,130	(375,783)
Other Outgo/Transfers Out	4,924,186	6,596,855	(1,672,669)
TOTAL	50,149,102	52,400,423	(2,251,321)

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2016-17, the district had invested $105,682,809 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was $63,463,380, net of $42,217,429 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had $67,191,030 in long-term debt outstanding. This is an increase from prior year of $18,948,044.

The following table summarizes the district's long-term debt as of June 30, 2017.

Central Union High School District
Outstanding Long-Term Debt

	Governmental Activities		
	2016-2017	**2015-2016**	**Change**
GO Bonds Payable	19,214,552	7,912,952	11,301,600
Net Pension Liability	43,168,333	36,215,986	6,952,347
Compensated Absences Payable	155,039	145,894	9,145
Net OPEB Obligation	4,653,106	3,968,154	684,952
TOTAL	**67,191,030**	**48,242,986**	**18,948,044**

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

- CALPERS & CALSTRS increasing costs
- Dependence on the economy and State funding
- Uncertainty of Federal Budget

The financial impact these items will make have not yet been determined. The District is working with information available to make sound budgetary decisions in light of these circumstances.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Arnold Preciado, Assistant Superintendent Business & Support Services, at (760) 336-4500 ext. 4506 or at Central Union High School District, 351 W Ross Avenue, El Centro, CA, 92243.

Basic Financial Statements

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

		Governmental Activities
ASSETS		
Cash	$	36,414,317
Receivables		1,504,556
Stores		90,408
Capital Assets:		
Land		8,163,554
Land Improvements		7,586,347
Buildings		75,730,399
Equipment		7,875,255
Work in Progress		6,327,254
Less Accumulated Depreciation		(42,219,429)
Total Assets		101,472,661
DEFERRED OUTFLOWS OF RESOURCES		8,544,433
LIABILITIES		
Accounts Payable		1,980,715
Unearned Revenue		1,197,302
Long-Term Liabilities:		
Due Within One Year		2,184,523
Due in More Than One Year		65,006,507
Total Liabilities		70,369,047
DEFERRED INFLOWS OF RESOURCES		2,756,355
NET POSITION		
Net Investment in Capital Assets		54,652,583
Restricted for:		
Capital Projects		1,106,788
Debt Service		3,770,645
Educational Programs		1,431,533
Other Purposes (Expendable)		367,767
Other Purposes (Nonexpendable)		96,408
Unrestricted		(24,534,032)
Total Net Position	$	36,891,692

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 32,209,448	$ -	$ 5,283,419	$ 54	$ (26,925,975)
Instruction-Related Services:					
Instructional Supervision and Administration	2,155,153	-	514,027	-	(1,641,126)
Instructional Library, Media and Technology	594,750	-	129,276	-	(465,474)
School Site Administration	3,684,204	-	637,371	-	(3,046,833)
Pupil Services:					
Home-to-School Transportation	1,399,369	-	-	-	(1,399,369)
Food Services	2,003,024	263,238	1,667,713	-	(72,073)
All Other Pupil Services	3,494,456	-	485,891	-	(3,008,565)
General Administration:					
Centralized Data Processing	1,040,434	-	-	-	(1,040,434)
All Other General Administration	3,010,020	12,931	284,162	-	(2,712,927)
Plant Services	5,756,831	2,177	339,654	-	(5,415,000)
Ancillary Services	947,432	-	15,018	-	(932,414)
Community Services	62,978	-	45	-	(62,933)
Interest on Long-Term Debt	408,842	-	-	-	(408,842)
Other Outgo - Debt Issue Costs	266,569	-	-	-	(266,569)
Other Outgo - Transfers Between Agencies	575,330	-	-	-	(575,330)
Total Expenses	$ 57,608,840	$ 278,346	$ 9,356,576	$ 54	$ (47,973,864)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	3,884,924
Taxes Levied for Debt Service	2,258,138
Taxes Levied for Other Specific Purposes	202,142
Federal and State Aid Not Restricted to Specific Purposes	40,081,512
Interest and Investment Earnings	152,488
Miscellaneous	1,148,652
Total General Revenues	$ 47,727,856
Change in Net Position	(246,008)
Net Position Beginning	37,137,700
Net Position Ending	$ 36,891,692

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 19,008,658	$ 10,941,681	$ 6,457,981	$ 36,408,320
Cash in Revolving Fund	6,000	-	-	6,000
Accounts Receivable	1,254,458	22,816	227,280	1,504,554
Due from Other Funds	1,223,011	3,443	1,056	1,227,510
Stores Inventories	51,810	-	38,598	90,408
Total Assets	21,543,937	10,967,940	6,724,915	39,236,792
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 1,046,428	$ 564,185	$ 90,185	$ 1,700,798
Due to Other Funds	880,621	-	346,889	1,227,510
Unearned Revenue	1,197,303	-	-	1,197,303
Total Liabilities	3,124,352	564,185	437,074	4,125,611
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	6,000	-	-	6,000
Stores Inventories	51,810	-	38,598	90,408
Restricted Fund Balances	1,296,555	10,403,755	5,380,178	17,080,488
Committed Fund Balances	-	-	523,028	523,028
Assigned Fund Balances	3,643,162	-	346,037	3,989,199
Unassigned:				
Reserve for Economic Uncertainty	13,422,058	-	-	13,422,058
Total Fund Balance	18,419,585	10,403,755	6,287,841	35,111,181
Total Liabilities and Fund Balances	$ 21,543,937	$ 10,967,940	$ 6,724,915	$ 39,236,792

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, 2017

Total fund balances, governmental funds		$ 35,111,181
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:	105,682,809	
Accumulated depreciation:	(42,219,429)	
Net		63,463,380
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(279,917)
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	19,214,552	
Net pension liability	43,168,333	
Compensated absences	155,039	
Net OPEB obligation	4,653,106	
Total		(67,191,030)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions		8,086,501
Deferred inflows of resources relating to pensions		(2,756,355)
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:		457,932
Total net position, governmental activities		$ 36,891,692

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, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 32,341,924	$ -	$ -	$ 32,341,924
Education Protection Account Funds	5,974,523	-	-	5,974,523
Local Sources	3,877,830	-	-	3,877,830
Federal Revenue	2,399,163	-	1,595,596	3,994,759
Other State Revenue	4,970,956	-	800,656	5,771,612
Other Local Revenue	1,471,669	54,305	3,440,223	4,966,197
Total Revenues	51,036,065	54,305	5,836,475	56,926,845
Expenditures:				
Current:				
Instruction	26,110,308	-	446,372	26,556,680
Instruction - Related Services	5,230,605	-	399,373	5,629,978
Pupil Services	4,134,503	-	1,901,769	6,036,272
Ancillary Services	898,878	-	-	898,878
Community Services	62,494	-	-	62,494
General Administration	3,286,883	-	116,976	3,403,859
Plant Services	5,183,356	-	322,960	5,506,316
Other Outgo	575,330	266,568	-	841,898
Capital Outlay	2,949,421	1,432,350	1,336,501	5,718,272
Debt Service:				
Principal	-	2,530,000	1,530,000	4,060,000
Interest	-	50,903	328,454	379,357
Total Expenditures	48,431,778	4,279,821	6,382,405	59,094,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,604,287	(4,225,516)	(545,930)	(2,167,159)
Other Financing Sources (Uses):				
Transfers In	4,111,412	-	2,007,818	6,119,230
Transfers Out	(6,112,818)	-	(6,412)	(6,119,230)
Proceeds From Sale of Bonds	-	14,480,000	-	14,480,000
Other Sources	-	149,271	1,246,655	1,395,926
Total Other Financing Sources (Uses)	(2,001,406)	14,629,271	3,248,061	15,875,926
Net Change in Fund Balance	602,881	10,403,755	2,702,131	13,708,767
Fund Balance, July 1	17,816,704	-	3,585,710	21,402,414
Fund Balance, June 30	$ 18,419,585	$ 10,403,755	$ 6,287,841	$ 35,111,181

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, 2017

Total change in fund balances, governmental funds			$ 13,708,767
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	5,955,297	
	Depreciation expense	(2,075,800)	
	Net		3,879,497
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:			(321,053)
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:			4,060,000
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:			(15,432,556)
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:			(156,888)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:			(5,409,697)
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:			(684,952)
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:			120,019
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:			(9,145)
Change in net position of governmental activities			$ (246,008)

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 476,535
Total Assets	476,535
LIABILITIES:	
Due to Student Groups	$ 476,535
Total Liabilities	476,535
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

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 operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable**.** Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Based on the criteria in GASB Statements 14, 39, and 61, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statements.

3. 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.

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.

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

In addition, the District reports the following fund types:

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

4. 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.

5. 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.

6. 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, property taxes, 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.

7. 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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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.

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of 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. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 14 (Deferred Maintenance Fund), Fund 17 (Special Reserve Fund for Other Than Capital Outlay), and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

10. Pensions

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

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

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

11. 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.

12. Fair Value Measurements

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

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

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

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

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

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

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

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

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

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

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

<u>GASB Statement No. 77 - Tax Abatement Disclosures</u>

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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

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

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

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

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

<u>GASB Statement No. 80 - Blending Requirements for Certain Component Units</u>

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

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

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

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

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool ($36,408,320 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $36,408,320. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks ($476,535 as of June 30, 2017) and in the revolving fund ($6,000) are insured up to $250,000 by the Federal Depository Insurance Corporation.

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

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

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

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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, 2017, the District's bank balances (including revolving cash) of $232,536 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

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

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment**.** Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of the following:

	Major Governmental Funds		Nonmajor	
	General Fund	Building Fund	Governmental Funds	Total
Federal Government:				
Federal programs	$ 192,725	$ -	$ 81,953	$ 274,678
State Government:				
Lottery	171,782	-	-	171,782
Special education	690,805	-	-	690,805
Other state programs	12,398	-	1,470	13,868
Local Sources:				
Interest	98,588	22,816	5,010	126,414
Cafeteria sales	-	-	55,555	55,555
Other local sources	88,160	-	83,292	171,452
Totals	$ 1,254,458	$ 22,816	$ 227,280	$ 1,504,554

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 8,163,554	$ -	$ -	$ 8,163,554
Work in progress	1,809,967	5,355,803	838,516	6,327,254
Total capital assets not being depreciated	9,973,521	5,355,803	838,516	14,490,808
Capital assets being depreciated:				
Buildings	75,730,399	-	-	75,730,399
Site improvements	7,445,832	140,515	-	7,586,347
Equipment	6,898,813	976,442	-	7,875,255
Total capital assets being depreciated	90,075,044	1,116,957	-	91,192,001
Less accumulated depreciation for:				
Buildings	(29,935,376)	(1,419,676)	-	(31,355,052)
Site improvements	(5,801,373)	(193,771)	-	(5,995,144)
Equipment	(4,406,880)	(462,353)	-	(4,869,233)
Total accumulated depreciation	(40,143,629)	(2,075,800)	-	(42,219,429)
Total capital assets being depreciated, net	49,931,415	(958,843)	-	48,972,572
Governmental activities capital assets, net	$ 59,904,936	$ 4,396,960	$ 838,516	$ 63,463,380

Depreciation was charged to functions as follows:

Instruction	$ 1,917,977
Pupil Services	123,033
General Administration	9,902
Plant Services	24,888
	$ 2,075,800

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund (01)	Nonmajor Govt. Funds (13)	$ 331,737	Reimburse expenses
General Fund (01)	Nonmajor Govt. Funds (25)	10,653	Reimburse expenses
General Fund (14)	General Fund (01)	580,621	Deferred maintenance
General Fund (20)	General Fund (01)	300,000	Fund OPEB reserves
Building Fund (21)	Nonmajor Govt. Funds (13)	3,443	Reimburse expenses
Nonmajor Govt. Funds (25)	Nonmajor Govt. Funds (40)	1,056	Reimburse expenses
	Total	$ 1,227,510	

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, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund (01)	Nonmajor Govt. Funds (13)	$ 147,818	Child nutrition program costs
General Fund (01)	General Fund (14)	3,605,000	Fund deferred maintenance
General Fund (01)	General Fund (20)	500,000	Fund OPEB reserves
General Fund (01)	Nonmajor Govt. Funds (40)	1,860,000	Fund capital projects
Nonmajor Govt. Funds (25)	General Fund (01)	6,412	Reimburse expenses
	Total	$ 6,119,230	

G. Accounts Payable

Accounts payable at June 30, 2017 consisted of the following:

	Major Governmental Funds		Nonmajor	
	General Fund	Building Fund	Governmental Funds	Total
Vendor payables	$ 894,586	$ 564,185	$ 68,850	$ 1,527,621
Payroll and related benefits	139,853	-	19,996	159,849
Pension related liabilities	11,989	-	1,339	13,328
Totals	$ 1,046,428	$ 564,185	$ 90,185	$ 1,700,798

H. Unearned Revenue

Unearned revenue at June 30, 2017, consisted of:

	General Fund
State Government:	
Career & Technical Education Grant	$ 1,117,393
Other State Categorical Programs	57,904
Local Sources:	
Local Grants	22,006
Total Unearned Revenue	$ 1,197,303

I. Short-Term Debt Activity

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

J. Components of Ending Fund Balance

As of June 30, 2017 components of ending fund balance consisted of the following:

	Major Governmental Funds		Nonmajor	
	General Fund	Building Fund	Governmental Funds	Total
Nonspendable Fund Balances				
Revolving Cash	$ 6,000	$ -	$ -	$ 6,000
Stores Inventory	51,810	-	38,598	90,408
Total Nonspendable	57,810	-	38,598	96,408
Restricted Fund Balances				
Educational Programs	1,296,555	-	-	1,296,555
Capital Projects	-	10,403,755	1,106,787	11,510,542
Debt Service	-	-	3,770,645	3,770,645
Adult Education Program	-	-	134,978	134,978
Child Nutrition Program	-	-	367,768	367,768
Total Restricted	1,296,555	10,403,755	5,380,178	17,080,488
Committed Fund Balance				
Adult Education Program	-	-	523,028	523,028
Total Committed	-	-	523,028	523,028
Assigned Fund Balances				
OPEB	2,127,810	-	-	2,127,810
Capital Projects	-	-	346,037	346,037
Deferred Maintenance	1,508,972	-	-	1,508,972
Educational Programs	6,380	-	-	6,380
Total Assigned	3,643,162	-	346,037	3,989,199
Unassigned Fund Balances				
For Economic Uncertainty	13,422,058	-	-	13,422,058
Total Fund Balance	$ 18,419,585	$ 10,403,755	$ 6,287,841	$ 35,111,181

K. 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, 2017 are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds					
Principal balance	$ 7,710,000	$ 14,480,000	$ 4,060,000	$ 18,130,000	$ 1,940,000
Bond premium	202,952	952,556	70,956	1,084,552	89,484
Total GO Bonds	7,912,952	15,432,556	4,130,956	19,214,552	2,029,484
Net OPEB obligation	3,968,154	684,952	-	4,653,106	-
Net pension liability	36,215,987	6,952,346	-	43,168,333	-
Compensated absences *	146,982	8,057	-	155,039	155,039
Total governmental activities	$ 48,244,075	$ 23,077,911	$ 4,130,956	$ 67,191,030	$ 2,184,523

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. General Obligation Bonds

General obligation bonds at June 30, 2017 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
2016 Refunding Bonds	11/17/16	2.00-4.00%	08/01/26	2,480,000
2016 Bonds	11/17/16	2.00-4.00%	08/01/46	12,000,000
Total GO Bonds				$ 29,850,000

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
1992 Election Series D	$ 880,000	$ -	$ 880,000	$ -
1992 Bond Premium	17,105	-	17,105	-
2005 Refunding Bonds	2,015,000	-	2,015,000	-
2005 Bond Premium	11,721	-	11,721	-
2011 Refunding Bonds	4,815,000	-	1,165,000	3,650,000
2011 Bond Premium	174,126	-	42,130	131,996
2016 Refunding Bonds	-	2,480,000	-	2,480,000
2016 Refunding Premium	-	149,271	-	149,271
2016 Bonds	-	12,000,000	-	12,000,000
2016 Bond Premium	-	803,285	-	803,285
Total GO Bonds	$ 7,912,952	$ 15,432,556	$ 4,130,956	$ 19,214,552

The annual requirements to amortize bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,940,000	$ 640,200	$ 2,580,200
2019	2,070,000	579,625	2,649,625
2020	1,225,000	532,600	1,757,600
2021	600,000	502,550	1,102,550
2022	615,000	478,250	1,093,250
2022-2026	1,040,000	2,223,850	3,263,850
2027-2031	1,360,000	2,040,975	3,400,975
2032-2036	2,080,000	1,762,000	3,842,000
2037-2041	2,960,000	1,366,500	4,326,500
2042-2046	4,240,000	591,936	4,831,936
Totals	$ 18,130,000	$ 10,718,486	$ 28,848,486

2016 Refunding Bonds

On November 17, 2016 the District issued refunding bonds with a par amount of $2,480,000 at a premium of $149,271. The bonds were issued to refund the 1992 Election Series D Bonds of $820,000 and the 2005 Refunding Bonds of $1,710,000. The 2016 refunding bonds bear interest ranging from 2.00-4.00% with semi-annual interest payments due on February 1 and August 1, and principal payments due annually on August 1.

The 2016 Refunding Bonds resulted in an accounting loss on refunding as follows:

Net Carrying Amount of Debt:		
Maturity Value - 1992 Election Series D	$	820,000
Unamortized Premium - 1992 Election Series D		15,940
Maturity Value - 2005 Refunding		1,710,000
Unamortized Premium - 2005 Refunding		9,947
Unamortized Refunding Loss - 2005 Refunding		(174,164)
Total		2,381,723
Reacquisition Price:		
Par Value - 2016 Refunding Bonds		2,480,000
Premium - 2016 Refunding Bonds		149,271
Total		2,629,271
Refunding Loss (Net Carrying Amount - Reacquisition Price)	$	(247,548)

The refunding loss is recorded as a deferred outflows of resources and amortized against interest over the life of the refunding bonds.

The Refunding Bonds resulted in an economic gain as follows:

Prior Debt Service (Principal & Interest)	$	2,958,960
Refunding Debt Service (Principal & Interest)		2,759,286
Total Savings		199,674
Discount to Present Value		(15,885)
Economic gain on refunding	$	183,789

2016 Bonds

On November 17, 2016 the District issued general obligation bonds with a par amount of $12,000,000 at a premium of $803,285. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, to fund all or a portion of the interest due on the 2016 Bonds for each interest payment date through and including February 1, 2019 and to pay the costs of issuing the Bonds. The bonds bear interest rates ranging from 2.00-4.00% with interest due semi-annually on February 1 and August 1 each year. Principal payments are due annually on August 1 each year through August 1, 2046.

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	2016 Refunding	2016 Bonds
Total Interest	$ 833,494	$ 1,627,029	$ 1,578,251	$ 279,286	$ 10,233,199
Less Bond Premium	(27,506)	(27,864)	(331,433)	(149,271)	(803,285)
Net Interest	$ 805,988	$ 1,599,165	$ 1,246,818	$ 130,015	$ 9,429,914
Par Amount of Bonds	$ 1,415,000	$ 4,790,000	$ 9,165,000	$ 2,480,000	$ 12,000,000
Periods	25	17	14	10	30
Effective Interest Rate	2.28%	1.96%	0.97%	0.52%	2.62%

3. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to $155,039. This amount is included as part of long-term liabilities in the government-wide financial statements.

4. Net Pension Liability

The District's beginning net pension liability was $36,215,987 and increased by $6,952,346 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was $43,168,333. See Note P for additional information regarding the net pension liability.

5. Net OPEB Liability

The District's beginning net OPEB obligation was $3,968,154 and increased during the year ended June 30, 2017 by $684,952. The ending net OPEB liability at June 30, 2017 was $4,653,106. See Note Q for additional information regarding the net OPEB liability.

L. 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).

In 2016 the District issued refunding bonds to repay the 1992 Election Series D General Obligation Bonds and the 2005 Refunding Bonds. The refunding resulted in a loss on refunding of $247,548 which is recorded as a deferred outflow of resources and amortized over 10 years (the life of the refunding bonds).

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

A summary of the deferred outflow of resources as of June 30, 2017 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005 Loss on Refunding Bonds	17 Years	$ 172,187	$ -	$ 172,187	$ -
2011 Loss on Refunding Bonds	13 Years	236,682	-	26,298	210,384
2016 Loss on Refunding Bonds	10 Years	-	247,548	-	247,548
Pension Related	Varies	5,970,910	6,367,815	4,252,224	8,086,501
Total Deferred Outflows of Resources		$ 6,379,779	$ 6,615,363	$ 4,450,709	$ 8,544,433

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2011 Ref. Loss	2016 Ref. Loss	Pension Related	Total
2018	$ 26,298	$ 24,755	$ 4,957,117	$ 5,008,170
2019	26,298	24,755	1,294,202	1,345,255
2020	26,298	24,755	1,294,201	1,345,254
2021	26,298	24,755	540,981	592,034
2022	26,298	24,755	-	51,053
2023-2027	78,894	123,773	-	202,667
Totals	$ 210,384	$ 247,548	$ 8,086,501	$ 8,544,433

M. Deferred Inflows of Resources

In accordance with GASB No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of activity of deferred outflows of resources for the year ended June 30, 2017 is as follows:

Description	Issue Date	Balance July 1, 2016	Current Additions	Current Year Amortization	Balance June 30, 2017
Pension Related	Varies	$ 2,183,413	$ 1,557,425	$ 984,483	$ 2,756,355
Totals		$ 2,183,413	$ 1,557,425	$ 984,483	$ 2,756,355

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	$ 984,483
2019	984,481
2020	475,906
2021	311,485
Total	$ 2,756,355

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

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

O. Risk Management

The District is exposed to risk of losses due to:

a. Torts,
b. Theft of, damage to, or destruction of assets,
c. Business interruption,
d. Errors or omissions,
e. Job related illnesses or injuries to employees,
f. Natural disasters,
g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks**.** The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any loses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

P. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%*	1.0- 2.5%*
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition, the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date), fiscal year June 30, 2017, the State contributed 7.560% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	$ 926,516
2016	7.126%	1,256,372
2017	7.560%	1,615,566

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 2,157,942	$ 757,528	$ 2,915,470
Contributions - State On Behalf Payments (Fiscal Year)	1,615,566	-	1,615,566
Total Contributions	$ 3,773,508	$ 757,528	$ 4,531,036

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 32,739,719
CalPERS	10,428,614
Total Net Pension Liability	$ 43,168,333

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30,2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0428%	0.0226%	0.0654%	0.0503%
Proportion June 30, 2017	0.0405%	0.0236%	0.0641%	0.0528%
Change in Proportion	-0.0023%	0.0010%	-0.0013%	0.0025%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 3,931,501	$ 3,020,845	$ 6,952,346
Contributions - State On Behalf Payments	1,615,566	-	1,615,566
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	(506,588)	(215,231)	(721,819)
Difference Between Actual & Expected Experience	(2,862)	(55,142)	(58,004)
Change in Assumptions	-	(122,421)	(122,421)
Change in Proportionate Shares	1,595,772	(340,039)	1,255,733
Net Difference Between Projected & Actual Earnings	(3,826)	(1,892,312)	(1,896,138)
Total Pension Expense	$ 6,629,563	$ 395,700	$ 7,025,263

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 2,689,991	$ 972,924	3,662,915
Differences between actual and expected experience	-	510,624	510,624
Change in employer's proportion share	1,001,373	300,350	1,301,723
Net difference between projected and actual earnings	9,425	2,601,814	2,611,239
Total Deferred Outflows of Resources	$ 3,700,789	$ 4,385,712	$ 8,086,501

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	$ (10,678)	$ -	$ (10,678)
Changes in assumptions	-	(367,262)	(367,262)
Change in employer's proportionate share	(1,245,059)	(119,065)	(1,364,124)
Net difference between projected and actual earnings	-	(1,014,291)	(1,014,291)
Total Deferred Inflows of Resources	$ (1,255,737)	$ (1,500,618)	$ (2,756,355)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2018	$ 3,026,488	$ 1,930,629	$ (315,228)	$ (669,255)	$ 3,972,634
2019	336,497	957,705	(315,227)	(669,254)	309,721
2020	336,496	957,705	(313,797)	(162,109)	818,295
2021	1,308	539,673	(311,485)	-	229,496
Total	$ 3,700,789	$ 4,385,712	$ (1,255,737)	$ (1,500,618)	$ 5,330,146

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2015		June 30, 2015	
Measurement Date	June 30, 2016		June 30, 2016	
Actuarial Cost Method	Entry Age - Normal		Entry Age - Normal	
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.60%	(2)	7.65%	(2)
Mortality	.013%-0.435%	(3)	0.00125-0.45905	(3)

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

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS

Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS

Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 47,119,839	$ 15,559,550
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 32,739,719	$ 10,428,614
1% Increase	8.60%	8.65%
Net Pension Liability	$ 20,796,427	$ 6,156,100

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2016 (Previously Reported)	$ 169,456,945	$ 125,433,523	$ 44,023,422	$ 15,215,204	$ 28,808,218
Changes for the year:					
Change in Proportionate share	(3,399,209)	(2,516,124)	(883,085)	673,239	(1,556,324)
Service Cost	3,763,987	-	3,763,987	1,386,264	2,377,723
Interest	12,387,708	-	12,387,708	4,562,352	7,825,356
Differences between expected and actual experience	(774,712)	-	(774,712)	(285,324)	(489,388)
Contributions:					
Employer	-	2,173,004	(2,173,004)	(800,310)	(1,372,694)
Employee	-	1,895,112	(1,895,112)	(697,964)	(1,197,148)
State On Behalf Payments	-	1,243,065	(1,243,065)	(457,817)	(785,248)
Net Investment Income	-	1,476,989	(1,476,989)	(543,970)	(933,019)
Other Income	-	26,605	(26,605)	(9,798)	(16,807)
Benefit Payments, including refunds of employee contributions	(8,425,435)	(8,425,435)	-	-	-
Administrative expenses	-	(115,378)	115,378	42,493	72,885
Other Expenses	-	(9,760)	9,760	3,595	6,165
Net Changes	3,552,339	(4,251,922)	7,804,261	3,872,760	3,931,501
Balance at June 30, 2017	$ 173,009,284	$ 121,181,601	$ 51,827,683	$ 19,087,964	$ 32,739,719

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	$ 36,008,934	$ 28,601,165	$ 7,407,769
Changes for the year:			
Adjustment for Change in Proportionate Share	1,824,989	1,449,552	375,437
Service Cost	906,456	-	906,456
Interest	2,873,493	-	2,873,493
Differences between expected and actual experience	211,266	-	211,266
Changes in Assumptions	-	-	-
Contributions - Employer	-	757,528	(757,528)
Contributions - Employee	-	449,424	(449,424)
Net Plan to Plan Resource Movement	-	5	(5)
Net Investment Income	-	157,096	(157,096)
Benefit Payments, including refunds of employee contributions	(1,872,834)	(1,872,834)	-
Administrative expenses	-	(18,246)	18,246
Net Changes	3,943,370	922,525	3,020,845
Balance at June 30, 2017	$ 39,952,304	$ 29,523,690	$ 10,428,614

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

Q. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The District maintains the same plan for its retirees as for its active employees with the general exception that benefits end when the retiree attains age 65. Certificated members may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of $839.23 per retiree. Classified members hired prior to July 1, 2005 may retire with District-paid benefits at age 55 with at least 10 years of service with the District. Classified employees hired on or after July 1, 2005 and before July 1, 2008 may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Classified employees hired on or after July 1, 2008 may retire with District-paid benefits at age 55 with at least 20 years of service. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of $761.23 per retiree. Health benefits for management retirees are subject to Board approval, and if approved, they follow the certificated guidelines as described above, except that management retirees do not receive District-paid life insurance. Retired board members do not receive District contributions towards benefits. They are eligible to self-pay for these benefits upon completing a full term of service on the governing board. Membership of the plan consists of approximately 344 eligible active employees, 20 eligible retirees, and excludes employees hired after the valuation date.

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 2016-17, the District contributed $200,615 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 Districts annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	$	956,320
Interest on net OPEB obligation		158,726
Adjustment to annual required contribution		(229,479)
Annual OPEB cost (expense)		885,567
Contribution made		(200,615)
Decrease in net OPEB obligation		684,952
Net OPEB obligation, beginning of year		3,968,154
Net OPEB obligation, end of year	$	4,653,106

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2016, and 2017 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	886,216	31.1%	3,391,918
2016	895,842	35.7%	3,968,154
2017	885,567	22.7%	4,653,106

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, 2015 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates were increased from a rate of 5.0% to a rate of 8.0% to better reflect the expectations of average healthcare claim cost increases. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2015 of 23 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

R. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Construction Commitments

As of June 30, 2017 the District has the following construction commitments:

Project		Commitment	Expected Completion*
Central Union High School Renovation	$	81,734	June 2018
Central Union High School STEM Building		22,000,000	June 2019
Information Technology Building		43,794	June 2018
Phoenix Rising Building		28,506	June 2018
Southwest High School Modernization		710,684	June 2018
Southwest High School Greenhouse		8,117	June 2018
District Wide Fiber Optic Upgrade		13,226	June 2018

*Expected date of completion subject to change

S. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

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

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

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

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and “negative” goodwill.

3. Classifying real estate held by insurance entities.

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB.

9. Simplifying certain aspects of the alternative measurement method for OPEB.

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 32,764,685	$ 32,586,084	$ 32,341,924	$ (244,160)
Education Protection Account Funds	6,022,411	6,023,124	5,974,523	(48,601)
Local Sources	3,372,840	3,573,391	3,877,830	304,439
Federal Revenue	2,744,194	2,786,945	2,399,163	(387,782)
Other State Revenue	2,291,866	5,712,307	4,970,956	(741,351)
Other Local Revenue	1,116,191	1,123,663	1,450,796	327,133
Total Revenues	48,312,187	51,805,514	51,015,192	(790,322)
Expenditures:				
Current:				
Certificated Salaries	22,442,883	22,417,424	21,812,280	605,144
Classified Salaries	6,573,031	6,930,216	6,929,535	681
Employee Benefits	8,401,345	10,144,520	9,650,710	493,810
Books And Supplies	3,231,878	3,820,090	2,600,370	1,219,720
Services And Other Operating Expenditures	4,111,432	4,675,531	3,970,543	704,988
Other Outgo	614,792	623,154	575,330	47,824
Direct Support/Indirect Costs	(92,327)	(92,327)	(91,292)	(1,035)
Capital Outlay	464,347	640,510	840,132	(199,622)
Total Expenditures	45,747,381	49,159,118	46,287,608	2,871,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,564,806	2,646,396	4,727,584	2,081,188
Other Financing Sources (Uses):				
Transfers In	-	-	6,412	6,412
Transfers Out	(4,401,720)	(5,393,818)	(6,112,818)	(719,000)
Total Other Financing Sources (Uses)	(4,401,720)	(5,393,818)	(6,106,406)	(712,588)
Net Change in Fund Balance	(1,836,914)	(2,747,422)	(1,378,822)	1,368,600
Fund Balance, July 1	16,155,244	16,155,244	16,155,244	-
Fund Balance, June 30	$ 14,318,330	$ 13,407,822	$ 14,776,422	$ 1,368,600

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS- OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

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

EXHIBIT B-3

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0405%	0.0428%	0.0398%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 32,739,719	$ 28,808,217	$ 23,251,826	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	19,087,964	15,215,204	15,602,633	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability associated with the District	$ 51,827,683	$ 44,023,421	$ 38,854,459	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 21,383,076	$ 20,111,295	$ 19,774,261	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.11%	143.24%	117.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-4

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2009	2008	2007
Contractually required contribution	$ 2,689,991	$ 2,157,942	$ 1,755,954	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(2,689,991)	(2,157,942)	(1,755,954)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 21,383,076	$ 20,111,295	$ 19,774,261	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-5

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0528%	0.0503%	0.0520%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 10,428,614	$ 7,407,769	$ 5,903,710	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 7,005,501	$ 6,394,260	$ 5,588,784	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	148.86%	115.85%	105.63%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

EXHIBIT B-6

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 972,924	$ 757,528	$ 657,856	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(972,924)	(757,528)	(657,856)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 7,005,501	$ 6,394,260	$ 5,588,784	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

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 Deferred Maintenance Fund (Fund 14), Special Reserve for Other Purposes (Fund 17), and Special Reserve Fund for Other Post Employment 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	$	18,419,585
Less Fund 14 Fund Balance		(1,508,973)
Less Fund 17 Fund Balance		(6,380)
Less Fund 20 Fund Balance		(2,127,810)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	14,776,422

General Fund - Fund Financial Statements Net Change in Fund Balance	$	602,881
Change in Fund Balance attributed to Fund 14		(1,472,200)
Change in Fund Balance attributed to Fund 17		(45)
Change in Fund Balance attributed to Fund 20		(509,458)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	(1,378,822)

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category		Excess Expenditures	Reason for Excess Expenditures
General Fund:			
Capital Outlay	$	199,622	The District accelerated capital projects that were originally planned for a future period

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

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

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

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

Combining Statements 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, 2017

	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	$ 1,226,560	$ 3,764,373	$ 1,467,048	$ 6,457,981
Accounts Receivable	218,039	6,272	2,969	227,280
Due from Other Funds	-	-	1,056	1,056
Stores Inventories	38,598	-	-	38,598
Total Assets	1,483,197	3,770,645	1,471,073	6,724,915
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 83,646	$ -	$ 6,539	$ 90,185
Due to Other Funds	335,180	-	11,709	346,889
Total Liabilities	418,826	-	18,248	437,074
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	38,598	-	-	38,598
Restricted Fund Balances	502,745	3,770,645	1,106,788	5,380,178
Committed Fund Balances	523,028	-	-	523,028
Assigned Fund Balances	-	-	346,037	346,037
Total Fund Balance	1,064,371	3,770,645	1,452,825	6,287,841
Total Liabilities and Fund Balances	$ 1,483,197	$ 3,770,645	$ 1,471,073	$ 6,724,915

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 1,595,596	$ -	$ -	$ 1,595,596
Other State Revenue	780,922	19,734	-	800,656
Other Local Revenue	877,517	2,252,054	310,652	3,440,223
Total Revenues	3,254,035	2,271,788	310,652	5,836,475
Expenditures:				
Current:				
Instruction	446,372	-	-	446,372
Instruction - Related Services	399,373	-	-	399,373
Pupil Services	1,901,769	-	-	1,901,769
General Administration	91,292	-	25,684	116,976
Plant Services	82,489	-	240,471	322,960
Capital Outlay	21,944	-	1,314,557	1,336,501
Debt Service:				
Principal	-	1,530,000	-	1,530,000
Interest	-	328,454	-	328,454
Total Expenditures	2,943,239	1,858,454	1,580,712	6,382,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	310,796	413,334	(1,270,060)	(545,930)
Other Financing Sources (Uses):				
Transfers In	147,818	-	1,860,000	2,007,818
Transfers Out	-	-	(6,412)	(6,412)
Other Sources	-	1,246,655	-	1,246,655
Total Other Financing Sources (Uses)	147,818	1,246,655	1,853,588	3,248,061
Net Change in Fund Balance	458,614	1,659,989	583,528	2,702,131
Fund Balance, July 1	605,757	2,110,656	869,297	3,585,710
Fund Balance, June 30	$ 1,064,371	$ 3,770,645	$ 1,452,825	$ 6,287,841

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 600,964	$ 625,596	$ 1,226,560
Accounts Receivable	115,963	102,076	218,039
Stores Inventories	-	38,598	38,598
Total Assets	716,927	766,270	1,483,197
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 58,921	$ 24,725	$ 83,646
Due to Other Funds	-	335,180	335,180
Total Liabilities	58,921	359,905	418,826
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	38,598	38,598
Restricted Fund Balances	134,978	367,767	502,745
Committed Fund Balances	523,028	-	523,028
Total Fund Balance	658,006	406,365	1,064,371
Total Liabilities and Fund Balances	$ 716,927	$ 766,270	$ 1,483,197

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, 2017

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	$ 138,208	$ 1,457,388	$ 1,595,596
Other State Revenue	670,365	110,557	780,922
Other Local Revenue	405,493	472,024	877,517
Total Revenues	1,214,066	2,039,969	3,254,035
Expenditures:			
Current:			
Instruction	446,372	-	446,372
Instruction - Related Services	399,373	-	399,373
Pupil Services	43,310	1,858,459	1,901,769
General Administration	-	91,292	91,292
Plant Services	67,116	15,373	82,489
Capital Outlay	21,944	-	21,944
Total Expenditures	978,115	1,965,124	2,943,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	235,951	74,845	310,796
Other Financing Sources (Uses):			
Transfers In	-	147,818	147,818
Total Other Financing Sources (Uses)	-	147,818	147,818
Net Change in Fund Balance	235,951	222,663	458,614
Fund Balance, July 1	422,055	183,702	605,757
Fund Balance, June 30	$ 658,006	$ 406,365	$ 1,064,371

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	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	$ 1,106,776	$ 10,562	$ 349,710	$ 1,467,048
Accounts Receivable	2,112	21	836	2,969
Due from Other Funds	1,056	-	-	1,056
Total Assets	1,109,944	10,583	350,546	1,471,073
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 3,086	$ -	$ 3,453	$ 6,539
Due to Other Funds	10,653	-	1,056	11,709
Total Liabilities	13,739	-	4,509	18,248
Fund Balance:				
Restricted Fund Balances	1,096,205	10,583	-	1,106,788
Assigned Fund Balances	-	-	346,037	346,037
Total Fund Balance	1,096,205	10,583	346,037	1,452,825
Total Liabilities and Fund Balances	$ 1,109,944	$ 10,583	$ 350,546	$ 1,471,073

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, 2017

	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	$ 294,468	$ 75	$ 16,109	$ 310,652
Total Revenues	294,468	75	16,109	310,652
Expenditures:				
Current:				
General Administration	25,684	-	-	25,684
Plant Services	3,443	-	237,028	240,471
Capital Outlay	-	-	1,314,557	1,314,557
Total Expenditures	29,127	-	1,551,585	1,580,712
Excess (Deficiency) of Revenues Over (Under) Expenditures	265,341	75	(1,535,476)	(1,270,060)
Other Financing Sources (Uses):				
Transfers In	-	-	1,860,000	1,860,000
Transfers Out	(6,412)	-	-	(6,412)
Total Other Financing Sources (Uses)	(6,412)	-	1,860,000	1,853,588
Net Change in Fund Balance	258,929	75	324,524	583,528
Fund Balance, July 1	837,276	10,508	21,513	869,297
Fund Balance, June 30	$ 1,096,205	$ 10,583	$ 346,037	$ 1,452,825

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, 2017

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

Governing Board

Name	Office	Term and Term Expiration
Todd Evangelist	President	Four year term Expires November 30, 2018
Emma L. Jones	Clerk	Four year term Expires November 30, 2018
Jacinto Jimenez	Member	Four year term Expires November 30, 2020
Diahna Garcia-Ruiz	Member	Four year term Expires November 30, 2020
Ryan Childers	Member	Four year term Expires November 30, 2020

Administration

Renato Montano
Superintendent

Sheri Hart
Assistant Superintendent
Educational Services

Arnold Preciado
Assistant Superintendent
Business Services

Carol Moreno
Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 9-12:				
Regular ADA	3,928.55	N/A	3,899.88	N/A
Extended Year Special Education	0.25	N/A	0.25	N/A
Grades 9-12 Totals	3,928.80	N/A	3,900.13	N/A
ADA Totals	3,928.80	N/A	3,900.13	N/A

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

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	69,720	180	-	Complied
Grade 10	64,800	69,720	180	-	Complied
Grade 11	64,800	69,720	180	-	Complied
Grade 12	64,800	69,720	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

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2017

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	$ 53,028,606	$ 51,021,604	$ 49,104,544	$ 41,780,677
Expenditures, other uses and transfers out	55,015,593	52,400,426	47,020,141	40,149,057
Change in fund balance (deficit)	(1,986,987)	(1,378,822)	2,084,403	1,631,620
Ending fund balance	$ 12,789,435	$ 14,776,422	$ 16,155,244	$ 14,070,841
Available reserves (See Note 2)	$ 11,586,737	$ 13,422,056	$ 15,086,866	$ 12,459,732
Available reserves as a percentage of total outgo (See Note 3)	21.1%	26.4%	33.0%	31.8%
Total long-term debt	$ 65,006,507	$ 67,191,030	$ 48,242,986	$ 42,257,711
Average daily attendance at P-2	3,929	3,929	3,916	3,880

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 $705,581 (5%) over the past two years. The fiscal year 2017-18 budget projects a decrease of $1,986,987 (13.4%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $24,933,319 over the past two years.

Average daily attendance has increased by 49 over the past two years.

Notes:
1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3 On behalf payments of $1,592,092, $1,256,372, and $926,782, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.
4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Deferred Maintenance Fund (Fund 14), Special Reserve Fund for Other Than Capital Outlay (Fund 17), and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CENTRAL UNION HIGH SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects	Special Reserve Fund For Postemployment Benefits
June 30, 2017, annual financial and budget report fund balances	$ 14,776,422	$ 1,508,973	$ 6,380	$ 2,127,810
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
GASB #54 fund consolidation	3,643,163	(1,508,973)	(6,380)	(2,127,810)
June 30, 2017, audited financial statement fund balances	$ 18,419,585	$ -	$ -	$ -

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.

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

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

Charter Schools	Included In Audit?
None	N/A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 186,274
National School Lunch Program Noncash Commodities	10.555	13396	-	168,557
National School Lunch Program Section 11	10.555	13396	-	954,900
National School Lunch Program Section 4	10.555	13523	-	143,332
National School Lunch Program Meal Supplements	10.555	13527	-	35,530
Total Passed Through State Department of Education			-	1,488,593
Total U. S. Department of Agriculture			-	1,488,593
Total Child Nutrition Cluster			-	1,488,593
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	58,125
Total U. S. Department of Health and Human Services			-	58,125
Total Medicaid Cluster			-	58,125
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	608,816
Total Passed Through State Department of Education			-	608,816
Total U. S. Department of Education			-	608,816
Total Special Education (IDEA) Cluster			-	608,816
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Adult Education	84.002	14508 & 13978	-	138,208
Title I	84.010	14329	-	726,598
Migrant Education	84.011	14838 & 10005	-	624,662
Carl D. Perkins Career & Technical Education	84.048	14894	-	114,957
Title III	84.365	15146 & 14346	-	118,348
Title II Teacher Quality	84.367	14341	-	147,657
Total Passed Through State Department of Education			-	1,870,430
Total U. S. Department of Education			-	1,870,430
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 4,025,964

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Central Union High School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.88% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III Limited English Proficiency	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	4.87%

Schoolwide Program

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

Program	CFDA #	Amount Expended
Title I	84.010	$726,598

Other Independent Auditor's Reports

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District, as of and for the year ended June 30, 2017, 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 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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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 15, 2017

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

WILKINSON HADLEY KING & CO. LLP
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Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Central Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Central Union High School District's major federal programs for the year ended June 30, 2017. Central Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Central Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

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

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

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

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

Wilkinson Hadley King + Co LLP

El Cajon, California
December 15, 2017

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

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, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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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:

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

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

We did not perform testing for Independent study. The procedures were not required to be performed since the ADA is below the level which 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, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 15, 2017

Findings and Recommendations Section

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.027	Special Education

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	____	Yes	X	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2016-001 (40000) Instructional Time In our review over instructional time, Phoenix Rising High School did not offer the required minimum annual instructional minutes for grade 9. The impacted students were short 3,150 minutes. Implement review procedure over instructional minute calculations and work with individual school sites to ensure bell (class) schedules are meeting the required minimum instructional minutes for each grade level.	Implemented	
Finding 2016-002 (40000) LCFF Unduplicated Pupil Counts In our review of students reported as Free and Reduced Price Meal (FPRM) eligible on Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we found that 1 of the 7 selected for testing of students eligible under EL Only was incorrectly designated as eligible under EL. Implement a process to double check students reported for unduplicated pupil counts prior to the final re-certification date for CalPADS. Re-certify with corrected numbers for any known errors.	Implemented	