MERCED UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MERCED UNION HIGH SCHOOL DISTRICT

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Financial Section

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 www.vtdcpa.com Fax: 559.248.0875

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 66 through 69, respectively, 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 Merced Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the Merced 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 Merced Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 10, 2015

Creating 21st Century Learners
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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Merced Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

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

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

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

The *Fiduciary Activities* are presented in the trust and agency funds, which focus reporting on net position.

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the Merced Union High School District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's total net position was $27.0 million for the fiscal year ended June 30, 2015, and $36.5 million for the fiscal year ended June 30, 2014; a decrease of $9.5 million. Restricted net position, which totaled $14.5 million, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)	School District Activities		
	2015	2014, Restated	Variance
Assets			
Current and other assets	$ 39.9	$ 46.4	$ (6.5)
Capital assets	196.9	199.6	(2.7)
Total Assets	236.8	246.0	(9.2)
Deferred Outflows of Resources	6.1	5.2	(11.9)
Liabilities			
Current liabilities	6.2	8.0	(1.8)
Long-term obligations	118.1	116.2	1.9
Aggregate net pension liability	72.3	90.5	(18.2)
Total Liabilities	196.6	214.7	0.1
Deferred Inflows of Resources	19.3	-	19.3
Net Position			
Invested in capital assets, net of related debt	81.9	86.8	(4.9)
Restricted	14.5	15.3	(0.8)
Unrestricted	(69.4)	(65.6)	(3.8)
Total Net Position	**$ 27.0**	**$ 36.5**	**$ (9.5)**

The $(69.4) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $3.8 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

(Amounts in millions)	School District Activities		
	2015	2014	Variance
Revenues			
Program revenues:			
Charges for services	$ 1.0	$ 1.1	$ (0.1)
Operating grants and contributions	15.4	18.9	(3.5)
General revenues:			
Federal and state aid not restricted	73.9	65.0	8.9
Property taxes	19.5	17.7	1.8
Other general revenues	5.5	2.8	2.7
Total Revenues	115.3	105.5	9.8
Expenses			
Instruction related	80.4	72.3	8.1
Student support services	16.5	15.4	1.1
Administration	5.8	6.3	(0.5)
Plant services	11.8	12.0	(0.2)
Other	10.3	9.2	1.1
Total Expenses	124.8	115.2	9.6
Change in Net Position	**$ (9.5)**	**$ (9.7)**	**$ 0.2**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $124.8 million as compared to $115.2 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $19.5 million because the cost was paid by those who benefited from the programs ($1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($15.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $79.4 million in Federal and State funds and other revenues, like interest, general entitlements, and charges for services.

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

Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction related	$ 80.4	$ 72.3	$ 69.9	$ 59.0
Student support services	16.5	15.4	11.3	9.6
Administration	5.8	6.3	5.6	5.5
Plant services	11.8	12.0	11.7	12.0
Other	10.3	9.2	9.9	9.0
Total	**$ 124.8**	**$ 115.2**	**$ 108.4**	**$ 95.1**

The District's net cost of activities for the current year was $108.4 million as compared to $95.1 million in the prior year. A majority of the District's expenses were related to the education and support of its students (77.6 percent).

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of $33.4 million, while the prior year reported a balance of $38.1 million, which is a decrease of $4.7 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances	
	June 30, 2015	June 30, 2014
General Fund	$ 19.8	$ 25.6
Bond Interest and Redemption Fund	10.1	8.6
Non-Major Funds	3.5	3.9
Total	**$ 33.4**	**$ 38.1**

The primary reasons for these changes are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $25.6 million to $19.8 million. This decrease is due primarily to continued declining enrollment and increased instruction related costs.
b. The Bond Interest and Redemption Fund increased by approximately $1.5 million as property taxes for debt service exceeded debt service payments.
c. The combined Non-Major Funds decreased from $3.9 million to $3.4 million. Although the capital projects non-major funds increased by nearly $500,000 due to primarily to developer revenues, the Cafeteria Fund showed a loss of nearly $800,000.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 10, 2015. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $196.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2014, the net capital assets totaled $199.6 million. This amount represents a net decrease (including additions, deductions and depreciation) of approximately $2.7 million.

Table 5

(Amounts in millions)	Governmental Activities		
	2015	2014	Variance
Land	$ 13.3	$ 13.3	$ -
Construction in progress	108.5	107.8	0.7
Buildings and improvements	71.0	74.9	(3.9)
Equipment	4.1	3.6	0.5
Total	**$ 196.9**	**$ 199.6**	**$ (2.7)**

This year's additions included completion of a new high school and various other projects. See Notes to Financial Statements for additional information on capital assets.

Long-Term Obligations Other Than Pensions

At the end of this year, the District had $118.1 million in long-term obligations other than pensions outstanding versus $116.2 million last year, an increase of $1.9 million. The increase is primarily due to issuance of General Obligation Bonds.

Table 6

(Amounts in millions)	Governmental Activities		
	2015	2014	Variance
General obligation bonds	$ 115.1	$ 113.2	$ 1.9
Compensated absences/comp time	0.4	0.3	0.1
Postemployment benefits	2.1	1.6	0.5
Public agency retirement system	0.5	1.1	(0.6)
Total	**$ 118.1**	**$ 116.2**	**$ 1.9**

The District's general obligation S&P bond rating as of the most recent bond issuance was "Aa3".

The State limits the amount of general obligation debt that District's can issue to 35 percent of the assessed value of all taxable property within the District's boundaries.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of $85,252,654. As of June 30, 2015, the District reported Deferred Outflows from pension activities of $6,095,525, Deferred Inflows from pension activities of $19,287,604, and a Net Pension Liability of $72,258,842.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2015-16 General Fund Revenue Budget Assumptions

- 1.020 percent Revenue Limit cost of living adjustment (COLA)
- LCFF GAP funding is 53.08 percent
- One-time revenue of $601 per ADA
- Projected P-2 ADA is 9,482
- Projected Lottery revenue is $128 per ADA for unrestricted lottery and $34 per ADA for restricted instructional materials
- 1.020 percent COLA for special education and state categorical funding

2015-16 General Fund Expenditure Budget Assumptions

- 1.5 percent step and column increase
- Transfer out of $2,000,000 to Fund 43 Special Reserve for Capital Outlay for facility projects; $1,000,000 to Fund 17 Special Reserve for Other than Capital Outlay for Technology; $1,000,000 to increase OPEB Fund 20; $489,510 to Fund 12 Child Development; $235,000 to Fund 13 Cafeteria for a temporary cash loan; and $500,000 to Fund 14 for Deferred Maintenance Projects
- Health Insurance cap of $10,801.50 for classified and certificated and management of $10,161

Based upon the 2015-2016 budget the district will be able to meet its financial obligations for 2015-2016, for two subsequent fiscal years, 2016-2017 and 2017-2018, and maintain a reserve for economic uncertainties equal to ten percent of total expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact:

Alan Peterson
Assistant Superintendent/CBO, Business Services
Merced Union High School District
3430 A Street, Castle Airport
Atwater, California 95301

Telephone number: (209) 385-6411

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
ASSETS		
Deposits and investments	$	35,971,376
Receivables		3,508,477
Stores inventories		231,239
Deferred charges-discount on debt issuance		253,300
Nondepreciable capital assets		121,784,961
Capital assets being depreciated		146,942,860
Accumulated depreciation		(71,859,048)
Total Assets		236,833,165
DEFERRED OUTFLOWS OF RESOURCES		
Current year pension contribution		6,095,525
Total Deferred Outflows of Resources		6,095,525
LIABILITIES		
Accounts payable		6,205,662
Unearned revenue		97,777
Current portion of long-term obligations other than pensions		2,821,836
Noncurrent portion of long-term obligations other than pensions		115,231,677
Aggregate net pension liability		72,258,842
Total Liabilities		196,615,794
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earnings on pension plan investments		19,287,604
Total Deferred Inflows of Resources		19,287,604
NET POSITION		
Invested in capital assets, net of related debt		81,896,800
Restricted for:		
Debt service		10,045,707
Capital projects		2,442,294
Educational programs		1,771,717
Other activities		252,922
Unrestricted		(69,384,148)
Total Net Position	$	27,025,292

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

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 66,637,657	$ 387,965	$ 9,313,346	$ (56,936,346)
Instruction-related activities:				
Supervision of instruction	2,715,989	448	592,617	(2,122,924)
Instructional library, media and technology	1,402,975	-	8,173	(1,394,802)
School site administration	9,669,358	928	190,382	(9,478,048)
Pupil services:				
Home-to-school transportation	2,979,077	9,832	542,190	(2,427,055)
Food services	5,190,388	501,717	3,500,351	(1,188,320)
All other pupil services	8,346,340	5,449	659,965	(7,680,926)
General administration:				
Data processing	1,542,698	-	-	(1,542,698)
All other general administration	4,303,616	-	279,214	(4,024,402)
Plant services	11,773,726	2,645	26,123	(11,744,958)
Ancillary services	1,811,267	-	-	(1,811,267)
Enterprise services	111,567	-	-	(111,567)
Interest on long-term obligations	7,084,589	-	-	(7,084,589)
Other outgo	1,246,871	42,419	334,425	(870,027)
Total Governmental-Type Activities	$ 124,816,118	$ 951,403	$ 15,446,786	(108,417,929)
	General revenues and subventions:			
	Property taxes, levied for general purposes			14,327,399
	Property taxes, levied for debt service			5,113,030
	Taxes levied for other specific purposes			47,933
	Federal and State aid not restricted to specific purposes			74,720,488
	Interest and investment earnings			193,103
	Transfers between agencies			41,522
	Miscellaneous			4,452,943
	Subtotal, General Revenues			98,896,418
	Change in Net Position			(9,521,511)
	Net Position - Beginning, as restated			36,546,803
	Net Position - Ending			$ 27,025,292

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

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 22,298,052	$ 10,045,707	$ 3,627,617
Receivables	2,357,258	-	1,151,219
Due from other funds	1,051,702	-	258,769
Stores inventories	155,817	-	75,422
Total Assets	$ 25,862,829	$ 10,045,707	$ 5,113,027
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 5,672,836	$ -	$ 532,826
Due to other funds	258,769	-	1,051,702
Unearned revenue	97,777	-	-
Total Liabilities	6,029,382	-	1,584,528
FUND BALANCES			
Nonspendable	175,817	-	76,494
Restricted	1,697,023	10,045,707	2,798,330
Committed	-	-	653,675
Assigned	7,366,221	-	-
Unassigned	10,594,386	-	-
Total Fund Balances	19,833,447	10,045,707	3,528,499
Total Liabilities and Fund Balances	$ 25,862,829	$ 10,045,707	$ 5,113,027

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

Total Governmental Funds
$ 35,971,376
3,508,477
1,310,471
231,239
$ 41,021,563
$ 6,205,662
1,310,471
97,777
7,613,910
252,311
14,541,060
653,675
7,366,221
10,594,386
33,407,653
$ 41,021,563

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MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 33,407,653**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 268,727,821	
Accumulated depreciation is	(71,859,048)	
Total capital assets		196,868,773
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		6,095,525
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(19,287,604)
Bond discounts are reported as an asset on the Statement of Net Position and are amortized over the remaining life of the debt.		253,300
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds	115,076,887	
Compensated absences	372,906	
Other postemployment benefits	2,087,618	
Public agency retirement system	516,102	
Net pension liability	72,258,842	
Total long-term obligations		(190,312,355)
Total Net Position - Governmental Activities		**$ 27,025,292**

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

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund
REVENUES		
Local Control Funding Formula	$ 81,292,710	$ -
Federal sources	7,540,312	1,492,212
Other state sources	8,442,035	-
Other local sources	2,150,549	5,159,199
Total Revenues	99,425,606	6,651,411
EXPENDITURES		
Current		
Instruction	58,759,220	-
Instruction-related activities:		
Supervision of instruction	2,684,512	-
Instructional library, media and technology	1,370,036	-
School site administration	9,020,377	-
Pupil Services:		
Home-to-school transportation	2,851,613	-
Food services	39,797	-
All other pupil services	8,324,018	-
General administration:		
Data processing	1,572,100	-
All other general administration	4,769,030	-
Plant services	10,835,121	-
Facility acquisition and construction	1,654,628	-
Ancillary services	1,811,267	-
Other outgo	1,246,871	-
Enterprise services	111,567	-
Debt service		
Principal	-	31,554,495
Interest and other	-	3,400,172
Total Expenditures	105,050,157	34,954,667
Excess (Deficiency) of Revenues Over Expenditures	(5,624,551)	(28,303,256)
Other Financing Sources (Uses):		
Transfers in	958,995	-
Other sources	-	29,749,417
Transfers out	(1,154,519)	-
Net Financing Sources (Uses)	(195,524)	29,749,417
NET CHANGE IN FUND BALANCES	(5,820,075)	1,446,161
Fund Balance - Beginning	25,653,522	8,599,546
Fund Balance - Ending	$ 19,833,447	$ 10,045,707

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

Non-Major Governmental Funds	Total Governmental Funds
$ 2,010,959	$ 83,303,669
3,921,089	12,953,613
351,774	8,793,809
2,069,969	9,379,717
8,353,791	114,430,808
1,761,652	60,520,872
1,365	2,685,877
-	1,370,036
561,468	9,581,845
-	2,851,613
5,060,810	5,100,607
68,389	8,392,407
-	1,572,100
112,954	4,881,984
420,180	11,255,301
921,778	2,576,406
-	1,811,267
-	1,246,871
-	111,567
-	31,554,495
-	3,400,172
8,908,596	148,913,420
(554,805)	(34,482,612)
1,154,519	2,113,514
-	29,749,417
(958,995)	(2,113,514)
195,524	29,749,417
(359,281)	(4,733,195)
3,887,780	38,140,848
$ 3,528,499	$ 33,407,653

MERCED UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (4,733,195)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Capital outlays	$ 2,975,259	
Depreciation expense	(5,675,793)	(2,700,534)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds.		(3,677,381)
In the Statement of Activities, compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $92,929.		(92,929)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(198,266)
In the Statement of Activities, certain operating expenses, early retirements, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The decrease to the early retirement obligation was:		539,835

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2015

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	
Sale of general obligation bonds	$ (29,749,417)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. Amortization during the year was:	(7,036)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	31,554,495
In governmental funds, Postemployment benefits other than pensions (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:	(457,083)
Change in Net Position of Governmental Activities	**$ (9,521,511)**

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

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Private-Purpose Trusts	Agency		
	Scholarships	Deferred Compensation	Student Body	Total
ASSETS				
Deposits and investments	$ 1,519,363	$ 1,473,918	$ 828,209	$ 3,821,490
Total Assets	$ 1,519,363	$ 1,473,918	$ 828,209	$ 3,821,490
LIABILITIES				
Due to student groups and employees	$ -	$ 1,473,918	$ 828,209	$ 2,302,127
Total Liabilities	-	1,473,918	828,209	2,302,127
NET POSITION				
Reserved for scholarships	1,519,363	-	-	1,519,363
Total Net Position	$ 1,519,363	$ -	$ -	$ 1,519,363

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

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Private-Purpose Trusts Scholarships
ADDITIONS	
Trust income	$ 560,458
Interest	3,452
Total Additions	563,910
DEDUCTIONS	
Scholarships awarded	526,936
Miscellaneous	8,500
Total Deductions	535,436
Change in Net Position	28,474
Net Position - Beginning	1,490,889
Net Position - Ending	$ 1,519,363

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Merced Union High School District (the District) was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston, and Merced. The City of Merced has four campuses. Merced High School, Golden Valley High School, and El Capitan High School have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School and Buhach Colony High School have classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Three funds currently defined as special revenue funds in the California State Accounting Manuel (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $10,940,406, $10,940,406, and $84,630, respectively.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are scholarship accounts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body (ASB) and deferred compensation accounts.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 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 entity-wide statements.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 for equipment and $15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

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

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $14,512,640 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $85,252,654. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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

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

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

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

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the 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.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

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

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 35,971,376
Fiduciary funds	3,821,490
Total Deposits and Investments	$ 39,792,866

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 889,549
Cash in revolving	21,072
Investments	38,882,245
Total Deposits and Investments	$ 39,792,866

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds	$ 2,140,526	$ 2,140,526	$ -	$ -	$ -
Certificates of Deposit	791,815	691,815	100,000	-	-
County Pool	35,962,091	-	35,962,091	-	-
Total	$ 38,894,432	$ 2,832,341	$ 36,062,091	$ -	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, $436,407 of the District's bank balances were exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds and Certificates of Deposit of $2,932,341, the District has a custodial credit risk exposure of $2,182,341, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 671,117	$ 933,302	$ 1,604,419
State Government			
Other State Sources	1,496,638	130,032	1,626,670
Local Sources	189,503	87,885	277,388
Total	$ 2,357,258	$ 1,151,219	$ 3,508,477

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 13,296,486	$ -	$ -	$ 13,296,486
Construction in progress	107,813,116	2,022,911	1,347,552	108,488,475
Total Capital Assets Not Being Depreciated	121,109,602	2,022,911	1,347,552	121,784,961
Capital Assets being depreciated				
Land improvements	19,479,367	664,352	-	20,143,719
Buildings and improvements	110,682,496	485,646	-	111,168,142
Furniture and equipment	14,481,097	1,169,734	19,832	15,630,999
Total Capital Assets Being Depreciated	144,642,960	2,319,732	19,832	146,942,860
Less Accumulated Depreciation				
Land improvements	12,187,469	544,447	-	12,731,916
Buildings and improvements	43,047,899	4,570,742	-	47,618,641
Furniture and equipment	10,947,887	580,436	19,832	11,508,491
Total Accumulated Depreciation	66,183,255	5,695,625	19,832	71,859,048
Governmental Activities Capital Assets, Net	$ 199,569,307	$ (1,352,982)	$ 1,347,552	$ 196,868,773

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 4,660,954
Instructional library, media, and technology	90,097
School site administration	62,651
Home-to-school transportation	120,637
Food services	73,367
All other pupil services	4,663
Data processing	24,524
All other general administration	56,117
Plant services	602,615
Total Depreciation Expenses, Governmental Activities	$ 5,695,625

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 1,051,702	$ 258,769
Non-Major Governmental Funds		
Adult Education	366	505,643
Child Development	-	119,956
Cafeteria	8,403	426,103
Deferred Maintenance	250,000	-
Total Non-Major Governmental Funds	258,769	1,051,702
Total All Governmental Funds	$ 1,310,471	$ 1,310,471

The General Fund owes the Adult Fund for stale dated warrants.	$ 366
The General Fund owes the Cafeteria Fund for stale dated warrants and to correct employee pay charged to the fund incorrectly.	162
The General Fund owes the Cafeteria Fund for food service expenditures.	8,241
The General Fund owes the Deferred Maintenance Fund for maintenance and operations costs.	250,000
The Adult Education Fund owes the General Fund for retiree health cost contributions.	9,890
The Adult Education Fund owes the General Fund for indirect costs.	92,215
The Adult Education Fund owes the General Fund for stores and transportation costs.	3,538
The Adult Education Fund owes the General Fund for an ending balance adjustment.	400,000
The Child Development Fund owes the General Fund for retiree health cost contributions.	1,658
The Child Development Fund owes the General Fund for indirect costs.	18,239
The Child Development Fund owes the General Fund for an ending balance adjustment.	100,000
The Child Development Fund owes the General Fund for fingerprinting charges.	59
The Cafeteria Fund owes the General Fund for fingerprinting charges.	59
The Cafeteria Fund owes the General Fund for retiree health cost distributions.	11,044
The Cafeteria Fund owes the General Fund to repay a temporary loan.	415,000
Total	$ 1,310,471

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consist of the following:

The General Fund transferred to the Adult Fund a portion of LCFF funds.	$ 489,519
The General Fund transferred to the Cafeteria Fund for a temporary loan.	415,000
The General Fund transferred to the Deferred Maintenance Fund for future repair and maintenance costs.	250,000
The Adult Fund transferred to the General Fund to return unspent ASSET allocations.	43,995
The Adult Fund transferred to the General Fund the excess ending fund balance.	400,000
The Child Development Fund transferred to the General Fund the excess ending fund balance.	100,000
The Cafeteria Fund transferred to the General Fund to repay a temporary loan.	415,000
Total	$ 2,113,514

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,371,029	$ 424,038	$ 2,795,067
Salaries and benefits payable	542,652	108,788	651,440
State principal apportionment	1,224,834	-	1,224,834
Deferred payroll	1,534,321	-	1,534,321
Total	$ 5,672,836	$ 532,826	$ 6,205,662

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
Federal financial assistance	$ 76,049
State categorical aid	21,728
Total	$ 97,777

NOTE 8 - LONG-TERM OBLIGATIONS OTHER THAN PENSIONS

Summary

The changes in the District's long-term obligations other than pensions during the year consisted of the following:

	Balance July 1, 2014	Additions and Accretion	Deductions	Balance June 30, 2015	Due in One Year
1999 Capital Appreciation Bonds, Series A	$ 19,074,040	$ 983,254	$ 2,045,000	$ 18,012,294	$ 2,090,000
2009 Current Interest Bonds, Series A	21,545,000	-	275,000	21,270,000	365,000
2009 Capital Appreciation Bonds, Series A	2,218,722	196,318	-	2,415,040	-
2011 Current Interest Bonds, Series B-1	25,000,000	-	-	25,000,000	-
2011 Capital Appreciation Bonds, Series B	681,876	82,062	-	763,938	-
2011 Capital Appreciation Bonds, Series C	44,684,946	2,252,986	29,234,495	17,703,437	-
2015 General Obligation Refunding Bonds	-	29,912,178	-	29,912,178	-
Compensated absences/comp time	279,977	92,929	-	372,906	-
Other postemployment benefits	1,630,535	1,764,555	1,307,472	2,087,618	-
Public Agency Retirement System	1,055,937	-	539,835	516,102	366,836
Total	$ 116,171,033	$ 35,284,282	$ 33,401,802	$ 118,053,513	$ 2,821,836

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The compensated absences liability is paid by the fund that the employee worked. The Other Postemployment Benefits and Public Agency Retirement System obligations are paid for by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2014	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2015
Capital Appreciation Series A	8/1/99	8/1/24	5.4-5.75	$ 9,221,061	$ 19,074,040	$ 983,254	$ 2,045,000	$ 18,012,294
Current Interest Series A	4/17/09	8/1/29	2.0-5.0	23,560,000	21,545,000	-	275,000	21,270,000
Capital Appreciation Series A	4/17/09	8/1/34	5.4-5.75	1,439,944	2,218,722	196,318	-	2,415,040
Current Interest Series B-1	2/16/11	8/1/25	5.379-6.716	25,000,000	25,000,000	-	-	25,000,000
Capital Appreciation Series B-1	2/16/11	8/1/27	7.05-7.15	462,545	681,876	82,062	-	763,938
Capital Appreciation Series C	11/9/11	8/1/37	3.80-6.72	30,489,821	44,684,946	2,252,986	29,234,495	17,703,437
Capital Appreciation 2015	5/27/15	8/1/51	3.80-7.42	29,749,417	-	29,912,178	-	29,912,178
Total				$ 119,922,788	$ 113,204,584	$ 33,426,798	$ 31,554,495	$ 115,076,887

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of $24,631,061, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of $24,999,994, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of $462,565 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of $25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $149,450,000 principal amount of general obligation bonds. Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of $5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of $30,489,821 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $149,450,000 principal amount of general obligation bonds. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof. A bond discount in the amount of $274,408 will be capitalized and amortized over the life of the bonds.

The Merced Union High School District 2015 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series C and pay the costs of issuance of the Bonds. The Bonds will be issued as capital appreciation bonds. The Bonds will accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable in denominations of $5,000 Maturity Value, or any integral multiple thereof.

Debt Service Requirements to Maturity

1999 Capital Appreciation, Series A - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2016	$ 2,090,000	$ -	$ 2,090,000
2017	2,024,868	115,132	2,140,000
2018	1,954,701	230,299	2,185,000
2019	1,888,128	346,872	2,235,000
2020	1,822,973	462,027	2,285,000
2021-2025	8,231,624	3,998,376	12,230,000
Total	$ 18,012,294	$ 5,152,706	$ 23,165,000

2009 Current Interest, Series A - Payment Summary:

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 365,000	$ 1,012,612	$ 1,377,612
2017	460,000	999,087	1,459,087
2018	565,000	980,443	1,545,443
2019	675,000	956,350	1,631,350
2020	800,000	926,850	1,726,850
2021-2025	6,390,000	3,886,800	10,276,800
2026-2030	12,015,000	1,639,125	13,654,125
Total	$ 21,270,000	$ 10,401,267	$ 31,671,267

2009 Capital Appreciation, Series A - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	$ 1,231,312	$ 2,048,688	$ 3,280,000
2032	727,272	2,782,728	3,510,000
2035	456,456	3,723,544	4,180,000
Total	$ 2,415,040	$ 8,554,960	$ 10,970,000

2011 Current Interest, Series B-1 - Payment Summary:

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ -	$ 1,492,212	$ 1,492,212
2017	-	1,492,213	1,492,213
2018	9,655,000	1,492,213	11,147,213
2019	1,805,000	972,870	2,777,870
2020	1,670,000	873,071	2,543,071
2021-2025	9,625,000	2,729,931	12,354,931
2026	2,245,000	150,774	2,395,774
Total	$ 25,000,000	$ 9,203,284	$ 34,203,284

2011 Capital Appreciation, Series B - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2027	$ 391,134	$ 1,018,866	$ 1,410,000
2028	372,804	1,037,196	1,410,000
Total	$ 763,938	$ 2,056,062	$ 2,820,000

2011 Capital Appreciation, Series C - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2019	$ 75,922	$ 9,078	$ 85,000
2020	67,984	12,016	80,000
2021	72,054	17,946	90,000
2022	71,687	23,313	95,000
2023	70,780	29,220	100,000
2024-2028	1,268,826	1,181,174	2,450,000
2029-2033	6,746,113	11,148,887	17,895,000
2034-2038	9,330,071	25,744,929	35,075,000
Total	$ 17,703,437	$ 38,166,563	$ 55,870,000

2015 General Obligation Refunding Bond:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2039-2043	$ 11,336,483	$ 29,258,517	$ 40,595,000
2044-2048	10,712,632	40,492,368	51,205,000
2049-2052	7,863,063	42,566,937	50,430,000
Total	$ 29,912,178	$ 112,317,822	$ 142,230,000

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2015, amounted to $372,906.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $1,687,105, and contributions made by the District during the year were $1,215,143. Interest on the net OPEB obligation and adjustments to the annual required contribution were $77,450 and $(92,329), respectively, which resulted in an increase to the net OPEB obligation of $457,083. As of June 30, 2015, the net OPEB obligation was $2,087,618. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Early Retirement

The District has obligations to the Public Agency Retirement System totaling $516,102 for early retirement incentives granted to terminated employees. Payments will be made as follows:

Year Ending June 30,	PARS Payment
2016	$ 366,833
2017	149,269
Total	$ 516,102

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 20,000	$ -	$ 1,072	$ 21,072
Stores inventories	155,817	-	75,422	231,239
Total Nonspendable	175,817	-	76,494	252,311
Restricted				
Legally restricted programs	1,697,023	-	251,122	1,948,145
Capital projects	-	-	2,547,208	2,547,208
Debt service	-	10,045,707	-	10,045,707
Total Restricted	1,697,023	10,045,707	2,798,330	14,541,060
Committed				
Adult education programs	-	-	330,091	330,091
Deferred maintenance program	-	-	235,003	235,003
Capital projects	-	-	88,581	88,581
Total Committed	-	-	653,675	653,675
Assigned				
Self-pay retiree health coverage	183,347	-	-	183,347
Chromebook repair class	23,015	-	-	23,015
District wide technology	199,780	-	-	199,780
Special education food cart	181	-	-	181
Microsoft settlement	161,547	-	-	161,547
Future E-Rate Projects	354,079	-	-	354,079
Site carryovers	190,419	-	-	190,419
Fund transfer to facilities	839,689	-	-	839,689
Future retiree benefits	5,414,164	-	-	5,414,164
Total Assigned	7,366,221	-	-	7,366,221
Unassigned				
Reserve for economic uncertainties	10,594,386	-	-	10,594,386
Total Unassigned	10,594,386	-	-	10,594,386
Total	$ 19,833,447	$ 10,045,707	$ 3,528,499	$ 33,407,653

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund exceeded the budgeted amounts as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General			
Classified salaries	$ 14,785,505	$ 15,605,707	$ 820,202
Employee benefits	$ 17,903,634	$ 18,637,370	$ 733,736
Services and operating expenditures	$ 11,297,678	$ 12,162,067	$ 864,389

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Merced Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 90 retirees and beneficiaries currently receiving benefits and approximately 900 active plan members.

Contribution Information

For fiscal year 2014-2015, the District contributed $1,215,143 to the plan, all of which was used for current premiums (approximately 92 percent of total premiums). Plan members receiving benefits contributed $111,567, or approximately eight percent of the total premiums. Contributions made by retirees range between $15 to $700 per month depending on when the retiree retired and the coverage selected.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 1,687,105
Interest on net OPEB obligation	77,450
Adjustment to annual required contribution	(92,329)
Annual OPEB cost (expense)	1,672,226
Contributions made	(1,215,143)
Increase in net OPEB obligation	457,083
Net OPEB obligation, beginning of year	1,630,535
Net OPEB obligation, end of year	$ 2,087,618

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 1,672,226	$ 1,215,143	73%	$ 2,087,618
2014	1,676,557	1,201,998	72%	1,630,535
2013	1,569,167	1,344,019	86%	1,155,976

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2014	$ -	$ 15,999,046	$ 15,999,046	0%	$ 57,990,180	27.59%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2015, was 24 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California Health and Welfare Program to provide employee health benefits. Self Insured Schools of California Health and Welfare Program is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 56,914,202	$ 4,062,358	$ 14,015,014	$ 4,913,533
CalPERS	15,344,640	2,033,167	5,272,590	1,363,825
Total	$ 72,258,842	$ 6,095,525	$ 19,287,604	$ 6,277,358

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $4,115,815.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 56,914,202
State's proportionate share of the net pension liability associated with the District	34,367,253
Total	$ 91,281,455

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0974 percent.

For the year ended June 30, 2015, the District recognized pension expense of $4,913,533 and revenue of $2,967,004 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,062,358	$ -
Difference between projected and actual earnings on pension plan investments	-	14,015,014
Total	$ 4,062,358	$ 14,015,014

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 3,503,753
2017	3,503,753
2018	3,503,754
2019	3,503,754
Total	$ 14,015,014

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 88,714,357
Current discount rate (7.60%)	$ 56,914,202
1% increase (8.60%)	$ 30,398,653

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,771,307.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $15,344,640. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1352 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,363,825. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,033,167	$ -
Difference between projected and actual earnings on pension plan investments	-	5,272,590
Total	$ 2,033,167	$ 5,272,590

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,318,148
2017	1,318,148
2018	1,318,147
2019	1,318,147
Total	$ 5,272,590

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 26,918,001
Current discount rate (7.50%)	$ 15,344,640
1% increase (8.50%)	$ 5,673,930

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,103,205 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Atwater High School gym	$ 7,500,000	December 2016
Atwater walkway roof	63,857	September 2015
District cabling	34,504	December 2016
East Campus Educational Center gas line replacement	146,860	September 2015
El Capitan High School	49,458	August 2015
Golden Valley High School stadium	33,760	August 2015
E-rate cabling and enclosures	68,491	December 2016
E-rate network equipment, switches & wireless	195,263	December 2016
E-rate video distance learning solutions	36,440	December 2016
Maintenance and operations roof	94,450	September 2015
Merced High School gym	7,500,000	December 2016
Tyler and Gerard Road school site	131,856,335	June 2014
Voice Over IP project	57,727	December 2016
Total	$ 147,637,145	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC III), the Self-Insured Schools of California (SISC II), and the Merced County Schools Insurance Group (MCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

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

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2015, the District made payment of $9,084,065 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2015, the District made payment of $492,389 to SISC II for property and liability insurance.

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2015, the District made payment of $1,140,776 to MCSIG for workers' compensation insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 121,799,457
Restatement - GASB Statement No. 68, net pension liability	(85,252,654)
Net Position - Beginning as Restated	$ 36,546,803

REQUIRED SUPPLEMENTARY INFORMATION

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MERCED UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 80,087,318	$ 81,375,100	$ 81,292,710	$ (82,390)
Federal sources	7,802,789	7,686,947	7,540,312	(146,635)
Other state sources	5,162,555	6,288,281	6,338,830	50,549
Other local sources	1,645,190	1,811,816	2,150,549	338,733
Total Revenues [1]	94,697,852	97,162,144	97,322,401	160,257
EXPENDITURES				
Current				
Certificated Salaries	42,190,259	47,102,398	46,197,826	904,572
Classified salaries	14,013,542	14,785,505	15,605,707	(820,202)
Employee benefits	16,983,108	17,903,634	18,637,370	(733,736)
Books and supplies	8,129,943	7,606,554	6,998,525	608,029
Services and operating expenditures	10,846,669	11,297,678	12,162,067	(864,389)
Other outgo	1,155,138	1,152,778	1,136,417	16,361
Capital outlay	845,212	3,178,522	2,209,040	969,482
Total Expenditures [1]	94,163,871	103,027,069	102,946,952	80,117
Excess (Deficiency) of Revenues Over Expenditures	533,981	(5,864,925)	(5,624,551)	240,374
Other Financing Sources (Uses):				
Transfers in	1,000,000	6,565,700	958,995	(5,606,705)
Transfers out	(1,439,519)	(3,314,519)	(1,154,519)	2,160,000
Net Financing Sources (Uses)	(439,519)	3,251,181	(195,524)	(3,446,705)
NET CHANGE IN FUND BALANCES	94,462	(2,613,744)	(5,820,075)	(3,206,331)
Fund Balance - Beginning	25,653,522	25,653,522	25,653,522	-
Fund Balance - Ending	$ 25,747,984	$ 23,039,778	$ 19,833,447	$ (3,206,331)

[1] On behalf payments are not included in revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund, Fund 15, Pupil Transportation Fund, and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2014	$ -	$ 15,999,046	$ 15,999,046	0%	$ 57,990,180	27.59%
March 1, 2012	$ -	$ 16,352,081	$ 16,352,081	0%	$ 56,449,443	28.97%
May 1, 2010	$ -	$ 10,638,763	$ 10,638,763	0%	$ 56,382,885	18.87%

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability (asset)	0.0974%
District's proportionate share of the net pension liability (asset)	$ 56,914,202
State's proportionate share of the net pension liability (asset) associated with the District	34,367,253
Total	$ 91,281,455
District's covered - employee payroll	$ 43,806,339
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	129.92%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.1352%
District's proportionate share of the net pension liability (asset)	$ 15,344,640
District's covered - employee payroll	$ 14,183,840
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	108.18%
Plan fiduciary net position as a percentage of the total pension liability	83%

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 4,115,815
Contributions in relation to the contractually required contribution	(4,115,815)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 46,349,268
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 1,771,307
Contributions in relation to the contractually required contribution	(1,771,307)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 15,048,059
Contributions as a percentage of covered - employee payroll	11.771%

SUPPLEMENTARY INFORMATION

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MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
FIE Earmark Grant Awards	84.215K	[1]	$ 73,600
Passed Through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	165,012
Adult Education - Secondary Education	84.002	13978	112,534
Adult Education - English Literacy	84.002A	14109	43,897
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	3,137,680
Title I - Part G, Advanced Placement Fee Assistance	84.330	14831	50,061
Title II - Part A, Improving Teacher Quality	84.367	14341	402,881
Title II - Part A, Administrator Training	84.367	14344	2,980
Title III - Immigrant Education	84.365	15146	3,500
Title III - LEP	84.365	14346	85,257
Title IV - Part B, 21st Century Community Learning	84.287	14349	1,697,072
Title X - McKinney-Vento Homeless	84.196	14332	68,843
Special Education: IDEA Basic Local Assistance	84.027	13379	1,532,800
Career and Technical Education, Section 112	84.048	14894	406,721
Total U.S. Department of Education			7,782,838
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Lunch	10.555	13391	2,485,554
Child Nutrition School Programs-Basic Breakfast	10.553	13526	90,090
Child Nutrition School Programs-Needy Breakfast	10.553	13526	697,853
Child Nutrition School Programs-Meal Supplements	10.559	13004	104,536
Child Nutrition School Programs-Summer Program	10.559	13004	142,394
Food Distribution - Commodities	10.555	13991	143,876
Subtotal, Child Nutrition Cluster			3,664,303
Child Nutrition School Programs-Family Day Care	10.558	13665	49,219
Total U.S. Department of Agriculture			3,713,522

[1] Pass-Through Entity Identifying Number not applicable

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Activities (Medicaid)	93.778	10060	$ 19,126
Medi-Cal Billing Option (Medicaid)	93.778	10013	87,362
Total U.S. Department of Health and Human Services			106,488
U.S. DEPARTMENT OF THE INTERIOR			
Natural Resource Stewardship	15.944	[1]	2,429
Total U.S. Department of the Interior			2,429
Total Federal Financial Assistance			$ 11,605,277

[1] Pass-Through Entity Identifying Number not applicable

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dave Honey	President	2018
Richard Lopez	Vice President	2018
Dora Crane	Clerk	2016
Greg Opinski	Member	2018
Open (area three)	Member	2016

ADMINISTRATION

V. Scott Scambray	Superintendent
Alan Peterson	Assistant Superintendent/CBO
Yvonne Eagle	Director of Fiscal Services

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	9,367.06	9,313.73
Total Regular ADA	9,367.06	9,313.73
Extended Year Special Education		
Ninth through twelfth	2.33	2.33
Total Extended Year Special Education	2.33	2.33
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	4.17	4.48
Total Special Education, Nonpublic, Nonsectarian Schools	4.17	4.48
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth		
Ninth through twelfth	0.34	0.34
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.34	0.34
Community Day School		
Ninth through twelfth	99.42	99.88
Total Community Day School	99.42	99.88
Total ADA	9,473.32	9,420.76

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-1987 Minutes Requirement	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9 - 12	64,800	63,000				
Grade 9			64,851	180	N/A	Complied
Grade 10			64,851	180	N/A	Complied
Grade 11			64,851	180	N/A	Complied
Grade 12			64,851	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1,4]	2015 [4]	2014 [4,5]	2013 [4]
GENERAL FUND				
Revenues	$ 116,687,503	$ 97,237,770	$ 90,104,146	$ 81,039,963
Other sources and transfers in	-	7,164,503	2,174,333	6,311,907
Total Revenues and Other Sources [3]	116,687,503	104,402,273	92,278,479	87,351,870
Expenditures	105,901,173	102,946,953	93,721,214	84,012,221
Other uses and transfers out	5,474,519	2,994,519	2,175,863	6,841,344
Total Expenditures and Other Uses [3]	111,375,692	105,941,472	95,897,077	90,853,565
INCREASE/(DECREASE) IN FUND BALANCE	$ 5,311,811	$ (1,539,199)	$ (3,618,598)	$ (3,501,695)
ENDING FUND BALANCE	$ 14,204,849	$ 8,893,038	$ 10,432,237	$ 14,050,835
AVAILABLE RESERVES [2]	$ 5,603,818	$ 10,594,386	$ 10,721,704	$ 7,325,580
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.03%	10.00%	11.18%	8.06%
LONG-TERM OBLIGATIONS	Not Available	$ 190,312,355	$ 206,626,019	$ 113,831,195
AVERAGE DAILY ATTENDANCE AT P-2	9,471	9,473	9,444	9,490

The General Fund balance has decreased by $5,157,797 over the past two years. The fiscal year 2015-2016 budget projects an increase of $5,311,811 (59.73 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $76,481,160 over the past two years, primarily due to the recognition of a net pension liability totaling $72,258,842 as required by the implementation of GASB Statement No. 68.

Average daily attendance has decreased by 17 over the past two years. A decrease of two ADA is anticipated during fiscal year 2015-2016.

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1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

3 On behalf payments have been excluded from this schedule.

4 General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund, the Special Reserve Non-Capital Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

5 The long-term obligations were restated for 2014 due to the implementation of GASB Statement No. 68.

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Adult Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 702,311	$ 172,283	$ 1,851
Receivables	238,317	26,858	825,395
Due from other funds	366	-	8,403
Stores inventories	-	-	75,422
Total Assets	$ 940,994	$ 199,141	$ 911,071
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 105,260	$ 4,491	$ 232,046
Due to other funds	505,643	119,956	426,103
Total Liabilities	610,903	124,447	658,149
Fund Balances:			
Nonspendable	-	-	76,494
Restricted	-	74,694	176,428
Committed	330,091	-	-
Total Fund Balances	330,091	74,694	252,922
Total Liabilities and Fund Balances	$ 940,994	$ 199,141	$ 911,071

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 153,855	$ 118,224	$ 1,692,875	$ 695,143	$ 91,075	$ 3,627,617
-	3,191	57,458	-	-	1,151,219
250,000	-	-	-	-	258,769
-	-	-	-	-	75,422
$ 403,855	$ 121,415	$ 1,750,333	$ 695,143	$ 91,075	$ 5,113,027
$ 168,852	$ 16,501	$ 3,182	$ -	$ 2,494	$ 532,826
-	-	-	-	-	1,051,702
168,852	16,501	3,182	-	2,494	1,584,528
-	-	-	-	-	76,494
-	104,914	1,747,151	695,143	-	2,798,330
235,003	-	-	-	88,581	653,675
235,003	104,914	1,747,151	695,143	88,581	3,528,499
$ 403,855	$ 121,415	$ 1,750,333	$ 695,143	$ 91,075	$ 5,113,027

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	$ 1,511,446	$ -	$ -
Federal sources	351,443	49,219	3,520,427
Other state sources	66,637	-	285,137
Other local sources	500,622	1,369	565,713
Total Revenues	2,430,148	50,588	4,371,277
EXPENDITURES			
Current			
Instruction	1,441,978	319,674	-
Instruction-related activities:			
Supervision of instruction	1,365	-	-
School site administration	561,468	-	-
Pupil Services:			
Food services	-	8,934	5,051,876
All other pupil services	13,253	55,136	-
General administration:			
All other general administration	92,215	18,239	-
Plant services	148,904	225	26,633
Facility acquisition and construction	-	-	83,101
Total Expenditures	2,259,183	402,208	5,161,610
Excess (Deficiency) of Revenues Over Expenditures	170,965	(351,620)	(790,333)
Other Financing Sources (Uses):			
Transfers in	-	489,519	415,000
Transfers out	(443,995)	(100,000)	(415,000)
Net Financing Sources (Uses)	(443,995)	389,519	-
NET CHANGE IN FUND BALANCES	(273,030)	37,899	(790,333)
Fund Balance - Beginning	603,121	36,795	1,043,255
Fund Balance - Ending	$ 330,091	$ 74,694	$ 252,922

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund
$ 499,513	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
137,281	22,375	707,561	134,483	565
636,794	22,375	707,561	134,483	565
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	2,500	-	-
206,304	-	30,941	-	7,173
500,658	310,809	-	27,210	-
706,962	310,809	33,441	27,210	7,173
(70,168)	(288,434)	674,120	107,273	(6,608)
250,000	-	-	-	-
-	-	-	-	-
250,000	-	-	-	-
179,832	(288,434)	674,120	107,273	(6,608)
55,171	393,348	1,073,031	587,870	95,189
$ 235,003	$ 104,914	$ 1,747,151	$ 695,143	$ 88,581

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Total Non-Major Governmental Funds
REVENUES	
Local Control Funding Formula	$ 2,010,959
Federal sources	3,921,089
Other state sources	351,774
Other local sources	2,069,969
Total Revenues	8,353,791
EXPENDITURES	
Current	
Instruction	1,761,652
Instruction-related activities:	
Supervision of instruction	1,365
School site administration	561,468
Pupil Services:	
Food services	5,060,810
All other pupil services	68,389
General administration:	
All other general administration	112,954
Plant services	420,180
Facility acquisition and construction	921,778
Total Expenditures	8,908,596
Excess (Deficiency) of Revenues Over Expenditures	(554,805)
Other Financing Sources (Uses):	
Transfers in	1,154,519
Transfers out	(958,995)
Net Financing Sources (Uses)	195,524
NET CHANGE IN FUND BALANCES	(359,281)
Fund Balance - Beginning	3,887,780
Fund Balance - Ending	$ 3,528,499

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Scholarships
ASSETS	
Deposits and investments	$ 1,519,363
Total Cash and Assets	$ 1,519,363
LIABILITIES	
NET POSITION	
Reserved for scholarships	
Non-Expendable:	
Acker Scholarship	$ 29,577
Alvernaz Scholarship	20,177
Beal Scholarship	11,174
Callister Scholarship	3,043
Cavaiani Scholarship	10,259
Chamberlain Scholarship	15,973
Cruikshank Scholarship	14,396
Landram Scholarship	26,148
Montano Scholarship	6,077
Mudd Scholarship	21,397
Okuda Scholarship	10,244
Roberts Scholarship	9,272
Roveto Scholarship	158,593
Weimer Scholarship	22,524
Expendable:	
AARP Scholarship	1,501
Barnes Scholarship	17,554
Bloss Scholarship	785,375
Brewer, James Scholarship	17,887
Brewer, Pamela Scholarship	17,134
Broussard Scholarship	2,286
Brown Scholarship	16,547
Church Scholarship	10,505
Crookham Scholarship	139
Dallas Scholarship	(6)
Dibblee, Al Scholarship	32,289
Fancher Scholarship	127,009
Fite Scholarship	386
Gear Up Scholarship	6
Granado Scholarship	1,507
Jackson Scholarship	2,348
Joyner Scholarship	109
Kiwanis Scholarship	282

See accompanying note to supplementary information.

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PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET POSITION, Continued
JUNE 30, 2015

	Scholarships
NET POSITION, Continued	
Reserved for scholarships	
Lau Scholarship	$ 3,208
Lockwood Scholarship	9,799
Martinelli Scholarship	1
McCollum Scholarship	3,155
McPherson-Hanson Scholarship	133
Mitchell Scholarship	146
Moberly Scholarship	4,967
Newhall Scholarship	22,316
Prince Scholarship	65,161
Rohm Scholarship	56
Sodexho Scholarship	140
Souza Scholarship	10,819
Thompson Scholarship	(240)
Yagi Scholarship	7,990
Total Net Position Reserved for Scholarships	$ 1,519,363

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Acker Scholarship	Alvernaz Scholarship	Beal Scholarship	Callister Scholarship	Cavaiani Scholarship
ADDITIONS					
Trust income	$ -	$ -	$ 750	$ 4	$ -
Interest income	37	26	13	-	40
Total Additions	37	26	763	4	40
DEDUCTIONS					
Scholarships awarded	500	-	750	-	-
Miscellaneous	-	-	-	-	-
Total Deductions	500	-	750	-	-
Change in Net Position	(463)	26	13	4	40
Net Position - Beginning	30,040	20,151	11,161	3,039	10,219
Net Position - Ending	$ 29,577	$ 20,177	$ 11,174	$ 3,043	$ 10,259

See accompanying note to supplementary information.

Chamberlain Scholarship	Cruikshank Scholarship	Landram Scholarship	Montano Scholarship	Mudd Scholarship	Okuda Scholarship	Roberts Scholarship
$ -	$ -	$ -	$ -	$ -	$ -	$ -
13	17	34	7	27	14	11
13	17	34	7	27	14	11
4,750	-	-	-	-	-	-
-	-	-	-	-	-	-
4,750	-	-	-	-	-	-
(4,737)	17	34	7	27	14	11
20,710	14,379	26,114	6,070	21,370	10,230	9,261
$ 15,973	$ 14,396	$ 26,148	$ 6,077	$ 21,397	$ 10,244	$ 9,272

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MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2015

	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
ADDITIONS			
Trust income	$ -	$ 10,000	$ 10,754
Interest income	585	26	850
Total Additions	585	10,026	11,604
DEDUCTIONS			
Scholarships awarded	17,500	1,000	24,500
Miscellaneous	8,500	-	8,500
Total Deductions	26,000	1,000	33,000
Change in Net Position	(25,415)	9,026	(21,396)
Net Position - Beginning	184,008	13,498	380,250
Net Position - Ending	$ 158,593	$ 22,524	$ 358,854

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
ADDITIONS					
Trust income	$ -	$ 1,000	$ 461,875	$ 500	$ 500
Interest income	2	20	2,040	39	38
Total Additions	2	1,020	463,915	539	538
DEDUCTIONS					
Scholarships awarded	1,000	1,000	408,333	500	500
Miscellaneous	-	-	-	-	-
Total Deductions	1,000	1,000	408,333	500	500
Change in Net Position	(998)	20	55,582	39	38
Net Position - Beginning	2,499	17,534	729,793	17,848	17,096
Net Position - Ending	$ 1,501	$ 17,554	$ 785,375	$ 17,887	$ 17,134

See accompanying note to supplementary information.

Broussard Scholarship	Brown Scholarship	Church Scholarship	Crookham Scholarship	Dallas Scholarship	Dibblee, Al & IIABMMC Scholarship	Fancher Scholarship
$ -	$ -	$ 709	$ -	$ -	$ -	$ 82,463
2	15	12	-	(4)	26	79
2	15	721	-	(4)	26	82,542
-	5,500	500	375	-	500	69,816
-	-	-	-	-	-	-
-	5,500	500	375	-	500	69,816
2	(5,485)	221	(375)	(4)	(474)	12,726
2,284	22,032	10,284	514	(2)	32,763	114,283
$ 2,286	$ 16,547	$ 10,505	$ 139	$ (6)	$ 32,289	$ 127,009

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2015

	Fite Scholarship	Gear Up Scholarship	Granado Scholarship	Jackson Scholarship	Joyner Scholarship
ADDITIONS					
Trust income	$ -	$ -	$ 350	$ -	$ -
Interest income	1	-	1	7	-
Total Additions	1	-	351	7	-
DEDUCTIONS					
Scholarships awarded	-	-	512	200	-
Miscellaneous	-	-	-	-	-
Total Deductions	-	-	512	200	-
Change in Net Position	1	-	(161)	(193)	-
Net Position - Beginning	385	6	1,668	2,541	109
Net Position - Ending	$ 386	$ 6	$ 1,507	$ 2,348	$ 109

See accompanying note to supplementary information.

Kiwanis Scholarship	Lau Scholarship	Lockwood Scholarship	Martinelli Scholarship	McCollum Scholarship	McPherson-Hanson Scholarship	Mitchell Scholarship
$ -	$ -	$ -	$ -	$ -	$ -	$ -
1	3	12	-	3	1	-
1	3	12	-	3	1	-
-	-	-	250	-	-	-
-	-	-	-	-	-	-
-	-	-	250	-	-	-
1	3	12	(250)	3	1	-
281	3,205	9,787	251	3,152	132	146
$ 282	$ 3,208	$ 9,799	$ 1	$ 3,155	$ 133	$ 146

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2015

	Moberly Scholarship	Newhall Scholarship	Prince Scholarship	Rohm Scholarship	Sodexho Scholarship
ADDITIONS					
Trust income	$ -	$ -	$ 2,307	$ -	$ -
Interest income	6	29	248	-	-
Total Additions	6	29	2,555	-	-
DEDUCTIONS					
Scholarships awarded	200	1,500	10,000	-	-
Miscellaneous	-	-	-	-	-
Total Deductions	200	1,500	10,000	-	-
Change in Net Position	(194)	(1,471)	(7,445)	-	-
Net Position - Beginning	5,161	23,787	72,606	56	140
Net Position - Ending	$ 4,967	$ 22,316	$ 65,161	$ 56	$ 140

See accompanying note to supplementary information.

Souza Scholarship	Thompson Scholarship	Yagi Scholarship	Total Expendable Scholarships	Total (Memorandum Only)
$ -	$ -	$ -	$ 549,704	$ 560,458
13	-	8	2,602	3,452
13	-	8	552,306	563,910
250	500	1,000	502,436	526,936
-	-	-	-	8,500
250	500	1,000	502,436	535,436
(237)	(500)	(992)	49,870	28,474
11,056	260	8,982	1,110,639	1,490,889
$ 10,819	$ (240)	$ 7,990	$ 1,160,509	$ 1,519,363

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of commodities received by the District that are not recorded in the District's financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 12,953,613
Reconciling item:		
Food Distribution	10.555	143,876
Qualified School Construction Bonds Subsidy	N/A	(1,492,212)
Total Schedule of Expenditures of Federal Awards		$ 11,605,277

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Private Purpose Scholarship Trust Funds – Combining Statement of Net Position and Combining Statement of Changes in Net Position

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

Jim Acker Memorial Scholarship

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

John L. Alvernaz, Jr. Scholarship

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria has been specified for determining eligibility for this scholarship.

Steven O. Beal Memorial Scholarship

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of $500 from any amount over the $10,000 principle. This scholarship is non-renewable.

Eldon J. Callister Memorial Scholarship

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

Ugo Cavaiani Scholarship

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

Chamberlain Scholarship

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

Herbert H. Cruikshank Scholarship

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.
- Student must have graduated from Golden Valley High School and have a 3.0 + GPA.

Hugh K. Landram Memorial Scholarship

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

John P. Montano Memorial Scholarship

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of $600 from any amount over the $3,255 principal. This scholarship is non-renewable.

Jay Leroy Mudd Scholarship

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

Okuda Memorial Scholarship

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over $10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

Donna Roberts Scholarship

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.

Rebecca Starr Roveto Scholarship

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of $1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

Walter Weimer Family/Livingston Rotary International Scholarship

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be $500 (non-renewable).

AARP Scholarship

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of $9,000 to be distributed at the rate of $1,000 per year for four scholarships, $250 each, until the $9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

Richard Barnes Memorial Scholarship

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving $500 if attending a two year college or $1,000 if attending a four year college.

Christine Bloss Memorial Scholarship

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

James Brewer Memorial Scholarship

This scholarship has been established in honor of James W. Brewer. A $500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Pamela Brewer Scholarship

This scholarship has been established in honor of Pamela K. Brewer. A $500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Kiara Broussard Culinary Arts Scholarship

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, $500 award (amount may change).

Brown Memorial Scholarship

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of $1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

Church Scholarship

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately $10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

Sybil Nye Crookham Memorial Scholarship

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The $250 scholarship will be awarded to one senior at each high school.

Dallas Athletic Scholarship (Heart Award)

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of $12,500 each. The $1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four year college or vocational school.

Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The $500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of $500 will be awarded each year until the funds are depleted. When funds are reduced to less than $500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

Fred B. Fancher Scholarship

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

Carter Fite Memorial Scholarship

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of $500 each will be awarded to two Atwater High School seniors pursuing a two or four year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

Gear Up Scholarship

This scholarship has been established by the Gear Up Program. Awards of $150, $300, or $500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

Mario Granado Memorial Scholarship

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be $1,000 at each campus.

Betty B. Jackson Scholarship

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last five semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

Joyner Scholarship

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of $500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

Livingston Kiwanis Club Scholarship

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

Karina Lau Memorial Scholarship

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four year college with a music or theater related degree. The scholarship will be $1,000 a year for up to four years as long as the student continues with a music or theater major.

Lester L. Lockwood Memorial Scholarship

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

Angelo Martinelli Memorial Scholarship

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of $250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

Karen McCollum Memorial Scholarship

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The $500 scholarship will be disbursed in two separate payments annually (August and December).

Lucy McPherson-Hanson Memorial Scholarship

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

Herbert Mitchell Memorial Scholarship

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a $200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.
- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

Sanford Moberly Memorial Scholarship

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a $200 award from this scholarship.

Henry Mayo Newhall Scholarship

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of $8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed form one year to the next.

Ryan M. Rohm Memorial Scholarship

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of $1,000 ($500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

Sodexho Scholarship

Sodexho School Services has established this scholarship which will total two $500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

Crystal Souza Memorial Scholarship

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total $250 a year for two students. Each $250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

Bob Thompson Rotary Scholarship

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be $500 per year and the recipient will be selected by the Livingston High School Site Committee.

George Yagi Memorial Scholarship

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be $1,000 for a four year college or $500 for a two year college.

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INDEPENDENT AUDITOR'S REPORTS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Merced Union High School District
Merced, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Merced Union High School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Merced 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 Merced Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District's internal control.

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

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

We noted certain matters that we reported to management of Merced Union High School District in a separate letter dated December 10, 2015.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Merced Union High School District
Merced, California

Report on Compliance for Each Major Federal Program

We have audited Merced Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Merced Union High School District's (the District) major Federal programs for the year ended June 30, 2015. Merced Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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Opinion on Each Major Federal Program

In our opinion, Merced 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 10, 2015

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Merced Union High School District
Merced, California

Report on State Compliance

We have audited Merced Union High School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Merced Union High School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Merced Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Merced 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. Our audit does not provide a legal determination of Merced Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District only has grades 9 - 12; therefore, we did not perform procedures related to kindergarten continuance. We did not perform testing for Independent Study because the Independent Study ADA was under the level that requires testing. The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program. The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools. The District does not have any Middle or Early College Schools; therefore, we did not perform any procedures related to Middle or Early College Schools. The District only has grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment. The District does not offer the After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 10, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MERCED UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic
84.367	Title II - Part A Programs
84.027	Special Education: IDEA Basic Local Assistance
84.048	Career and Technical Education, Section 112

Dollar threshold used to distinguish between Type A and Type B programs:	$ 348,158
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings reported in the prior year's schedule of financial statement findings.

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Governing Board
Merced Union High School District
Merced, California

In planning and performing our audit of the financial statements of Merced Union High School District, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2015, on the government-wide financial statements of the District.

ADULT EDUCATION - ASSOCIATED STUDENT BODY

Observations

In the previous year, we noted that there were no primary receipts present with deposit back up. The site is now using an accounting system that automatically receipts the deposit when entered. However, the receipts are not being printed and given to the teacher/advisor. Additionally, we noted that the Treasurer's Report or monthly account statements are only provided to the teacher/advisor that requests it and not to all the teachers/advisors.

Recommendation

Prenumbered receipts should be issued for all cash collections by the site bookkeeper which would include a specific description of the source of the funds. The Treasurer's Reports should completely reflect activity of each club account, including the current balance for the club. These reports should be issued monthly; quarterly at a minimum to all club account teachers/advisors.

ATWATER HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered teachers are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding the funds to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the funds turned in, the bookkeeper cannot reconcile the funds back to any documentation to determine the accuracy of the cash count sheet and the actual amount turned in.

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Recommendation

Prenumbered receipts should be issued for all collections by teacher, advisors, and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

Prohibited Expenditures

Observation

During our audit of the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted an expenditure where the FFA purchased bagels to feed the staff that was not for the general welfare of the students.

Recommendation

The site should review the cash disbursement procedures outlined in the *Accounting and Procedures for Student Organization* manual prepared by the California Department of Education or the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. All expenditures should be approved only if the purchased item is for the general welfare and benefit of the students. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures.

Cash Disbursements

Observation

During our audit of cash disbursement procedures, we determined that internal controls over the disbursement process are not in place. We found one instance where the parents made donations to an organization through the ASB and this organization would match their donations. Once the organization matched the donations the ASB refunded the parent's donations back to them.

Recommendation

It is vital to have strong internal controls in place in order to properly manage ASB funds. The site should review the procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* published by FCMAT and implement procedures that address this concern.

Observation

During our audit of cash disbursement procedures, we determined that internal controls over the disbursement process are not in place. We found that not all disbursement requests were dated after the date on the invoice. This would indicate that items are being purchased prior to their approval. We also noted on one disbursement that the receipts did not match the check amount.

Recommendation

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased and all checks should be accompanied by a purchase order where applicable, and receipts or invoices that match the amount on that check.

Inventory

Observation

During our audit in the prior year, we found there is no perpetual inventory maintained quarterly for the store. In addition, daily sales for the student store are not being reconciled to the ending inventory on a regular basis. Sales should be reconciled everyday to ensure that all items purchased for resale have been sold or are accounted for.

Recommendation

According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, a physical inventory should be taken quarterly under supervision of the student store advisors. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the associated student body of the site.

BUHACH COLONY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

In the prior year audit of the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. During our current year audit we noted that four out of the eleven expenditures we audited still did not have purchase order forms filled out by the advisors to indicate that the expenditures were pre-approved by the proper individuals. In most cases, the advisors would purchase items and submit a check request for reimbursement indicating the purchase was not pre-approved. Additionally, some of the purchase approval forms were dated after the invoice date indicating that the item was not pre-approved. In addition, two of the expenditures did not possess supporting documentation. Without the control document of a purchase order form being completed before the item is purchased, club spending might deplete the groups' account causing deficit spending.

Recommendation

In order to improve the controls over cash disbursements, the site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT). All invoices should be accompanied by a purchase order form that is dated before the invoice date, indicating that the item has been approved before the purchase was made. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures. In addition, the number of reimbursements made out to the teachers/advisors should be limited and checks issued directly to vendors after receiving invoices.

Revenue Potentials

Observation

In the prior year we noted that revenue potential forms are on file, but are often incomplete or lack detail. During our current year audit we noted the revenue potential forms are still incomplete or lack detail. The estimated profit portion often did not include the quantity of items or the price it would have sold at. There were also instances of actual activity that did not state how many items they sold and at what price. The form only documented the total expected and received with no further detail.

Recommendation

The site should implement procedures in which all revenue potential forms are completed in full. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

Cash Receipts

Observation

While auditing the cash receipts system, teachers are not always submitting sub-receipts or tally sheets to the bookkeeper to document when money is collected from students. Without this supporting documentation it cannot always be determined if collections are intact or if the teachers are forwarding money to the ASB bookkeeper in a timely manner.

Recommendation

Prenumbered sub-receipts should be turned in along with the cash collected by teachers for all money received, including fundraisers and other similar activities. Having a carbon copy of these receipts issued forwarded to the ASB bookkeeper along with the cash collected will serve as documentation that all monies collected have been turned in. The ASB bookkeeper should account for the receipt number sequences on all sub-receipt books to ensure that all collections are intact. In respect to timeliness of submitting sub-receipts, cash allowed to accumulate over an extended period of time is at greater risk of theft or loss. To better safeguard the ASB, all monies collected by teachers should be turned into the ASB bookkeeper daily. The funds should be accompanied by the corresponding sub-receipts or tally sheet and a cash count sheet.

Observation

While auditing the cash receipts system we noted receipts do not equal bank deposits. It appears pre-numbered, handwritten receipts had amounts that were crossed out and re-written with different amounts.

Recommendation

If an error is made while issuing a receipt then that receipt should be "voided" and a new receipt should be issued. The "voided" receipt should still be included in the bank deposit to ensure that all receipts are kept in sequential order.

Observation

While auditing the cash receipts system we noted the bookkeeper receipts funds collected by teachers/advisors/coaches at the time she prepares the deposit to the bank.

Recommendation

Upon receipt of the cash and sub-receipts or log, the bookkeeper should verify the information and ensure that the sub-receipts are in chronological and numeric order. Once verified, the bookkeeper should issue a receipt back to the teacher or advisor which would equal the verified cash and receipts issued by the teacher/advisor/coach at least on a daily basis.

Bank Reconciliation

Observation

During our audit we noted that although the account is being reconciled monthly it is only being reviewed on a quarterly basis.

Recommendation

A monthly review of the reconciliation prepared by the bookkeeper will help to ensure the account is being reconciled timely and correctly. The preparer and review should sign and date once they have prepared and reviewed the reconciliation of the bank account.

Ticket Sales

Observation

During our audit we noted that the bookkeeper completes the summaries after each ticketed event takes places as opposed to the ticket seller.

Recommendation

The bookkeeper should only maintain the ticket inventory log and check out he tickets to the "seller", noting the beginning ticket number. The seller is responsible for preparing the 'ticket sales analysis' form. The bookkeeper will verify the number of tickets sold to the funds collected.

LIVINGSTON HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Revenue Potentials

Observation

The revenue potential form is a vital internal control tool that is used to document revenues, expenditures, potential revenue and actual revenue from fundraisers. We noted that revenue potential forms are on file to document the approval of fundraising activities and preliminary estimates for profit. However, they do not contain actual deposit and disbursement information which allows the club to calculate the net profit or loss and determine the success or failure of the completed fundraiser.

Recommendation

The site should complete a revenue potential form which includes receipts, deposits, and disbursement information for every club fundraiser. Using this information to calculate the net profit or loss will allow advisors and club members to determine if the financial outcome justifies repeating the fundraiser.

Cash Receipts - Food and Drink Sales

Observation

During our audit of cash deposits made to the bookkeeper, we found a fundraising event involving cash sales of morning coffee and breakfast items sold by the Pacific Club to the faculty. Supporting documentation for this event included a spreadsheet of teacher's names which recorded how much each teacher has purchased and the total payments made by each teacher. However, we found that no inventor y was being prepared for the fundraiser.

Recommendation

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

Credit Card - Log

Observation

A credit card log to track a cards location has not been fully incorporated into the controls which accounts for those individuals who have been authorized and are using the cards. We noted that the sites credit card log only contained three signatures though many purchases have been made with the cards.

Recommendation

A log to track the site's credit cards should be used as a source document to account for their location and usage. Anyone who wishes to obtain and use a card should be authorized and preapproved. The log should be signed and dated when they receive and return the card.

Student Stores

Observation

During our audit, we noted that a reconciliation of inventory to sales is being performed daily for food cart sales. This process includes a worksheet noting each item included on the cart, the number of items that went out on the cart for the day, the number if items that returned with the car, and a reconciliation of items sold multiplied by the price of the item. We found that this is the only inventory being prepared. There is no record for the total inventory maintained by the club or any purchases made to increase stock.

Recommendation

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

Prohibited Expenditures

Observation

During our audit of the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted several prohibited expenditures that were made throughout the year that were not for the general welfare of the students. Specifically we noted:

- Clothing bought for paraprofessionals
- Chromebook insurance for select students
- Activities Director sent to conference with all expenses paid
- Purchase of staff breakfast
- Caps and gowns for senior club members only
- Disney Land trip for seniors club members only

Recommendation

The site should review the cash disbursement procedures outlined in the *Accounting and Procedures for Student Organization* manual prepared by the California Department of Education or the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. All expenditures should be approved only if the purchased item is for the general welfare and benefit of the students. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures.

Cash Disbursements

Observation

During our audit of cash disbursement procedures, we determined that internal controls over the disbursement process are not in place. We found that not all disbursement requests were dated after the date on the invoice. This would indicate that items are being purchased prior to their approval.

Recommendation

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

MERCED HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Student Store West

Observation

We discovered the Student Store West inventory procedures included the daily use of inventory logs to track the beginning and ending inventory counts. However, the form utilized for this was consistently incomplete and not reconciled to the amount of funds deposited to the bookkeeper at the end of the day. An incomplete form does not allow the advisor and bookkeeper to verify all funds were deposited.

Governing Board
Merced Union High School District

Recommendation

The inventory form must be completed in full at the end of the day and reconciled to the amount of funds deposited. The site should modify the form to include the sales price per item and also the product of the individual sales price and quantity sold. This will allow the advisor and bookkeeper to verify the completeness of deposits.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 10, 2015