



Annual Financial Report
June 30, 2019

Anaheim Union High School District

Learning With Purpose



College and Career Ready

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds - Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Changes in Fund Balances to the Statement of Activities	21
Proprietary Funds - Statement of Net Position	23
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	24
Proprietary Funds - Statement of Cash Flows	25
Fiduciary Funds - Statement of Net Position	26
Notes to Financial Statements	27

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	75
Schedule of Changes in the District' Total OPEB Liability and Related Ratios	76
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program	77
Schedule of the District's Proportionate Share of the Net Pension Liability	78
Schedule of District Contributions	79
Note to Required Supplementary Information	80

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	83
Local Education Agency Organization Structure	85
Schedule of Average Daily Attendance	86
Schedule of Instructional Time	87
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	88
Schedule of Financial Trends and Analysis	89
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	91
Note to Supplementary Information	92

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	95
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	97
Report on State Compliance	99

ANAHEIM UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	103
Financial Statement Findings	104
Federal Awards Findings and Questioned Costs	105
State Awards Findings and Questioned Costs	106
Summary Schedule of Prior Audit Findings	108
Management Letter	110



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Anaheim Union High School District
Anaheim, 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 Anaheim Union High School District (the District) as of and for the year ended June 30, 2019, 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 *2018-2019 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 Anaheim 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 9, 2019, on our consideration of the Anaheim 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 solely 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 the effectiveness of Anaheim Union High School District's 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 Anaheim Union High School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 9, 2019



This section of Anaheim Union High School District's (the District) June 30, 2019, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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 District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 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.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether *its financial health 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 - All of the District's services are reported in this category. This includes the education of grade seven through grade twelve students, 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 governmental agencies.

Governmental Funds - Most 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.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the 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. The District's fiduciary activities are reported in the *Statements of Fiduciary 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(68,043,860) for the fiscal year-ended June 30, 2019. Of this amount, \$(329,867,154) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 317,633,616	\$ 319,367,517
Capital assets	336,421,457	295,541,449
Total Assets	654,055,073	614,908,966
Deferred Outflows of Resources	103,860,796	105,834,262
Liabilities		
Current liabilities	40,965,428	33,272,109
Long-term obligations	368,530,683	390,074,307
Aggregate net pension liability	362,700,856	366,155,766
Total Liabilities	772,196,967	789,502,182
Deferred Inflows of Resources	53,762,762	36,953,167
Net Position		
Net investment in capital assets	183,178,919	165,530,071
Restricted	78,644,375	75,353,476
Unrestricted (deficit)	(329,867,154)	(346,595,668)
Total Net Position (deficit)	\$ (68,043,860)	\$ (105,712,121)

The increase in total assets is mainly due to an increase in capital assets attributed to the modernization/constructions projects completed and in progress. Total liabilities decreased due to the payments of general obligation bonds, QZAB certificate of participation paid off and a decrease in the District's net pension liability. The deficit net position is the result of the implementation of GASB Statement No. 68, requiring the District to report their share of CalSTRS and CalPERS net pension liability.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in Net Position

The changes in net position for this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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 year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 4,659,552	\$ 3,548,188
Operating grants and contributions	88,301,913	79,067,473
Capital grants and contributions	1,310,254	1,083
General revenues:		
Federal and State aid not restricted	239,293,175	218,915,930
Property taxes	123,603,423	108,485,035
Other general revenues	18,715,177	11,753,679
Total Revenues	475,883,494	421,771,388
Expenses		
Instruction	286,864,510	270,442,862
Pupil services	60,365,103	57,707,197
Administration	21,638,681	18,407,530
Plant services	40,282,018	39,639,233
All other services	29,064,921	26,428,748
Total Expenses	438,215,233	412,625,570
Change in Net Position	\$ 37,668,261	\$ 9,145,818

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$438,215,233. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$123,603,423 because the cost was paid by those who benefited from the programs (\$4,659,552) or by other governments and organizations who subsidized certain programs with grants and contributions (\$89,612,167). We paid for the remaining "public benefit" portion of our governmental activities with \$258,008,352 in Federal and State funds and with other revenues, like interest and general entitlements. Operating grants and contributions consist of categorical programs. Capital grants and contributions consist of State modernization and construction funds.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. 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

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 286,864,510	\$ 270,442,862	\$ 229,956,456	\$ 221,341,343
Pupil services	60,365,103	57,707,197	30,636,827	28,627,891
Administration	21,638,681	18,407,530	19,932,204	17,518,103
Plant services	40,282,018	39,639,233	38,849,975	39,203,960
All other services	29,064,921	26,428,748	24,568,052	23,317,529
Total	\$ 438,215,233	\$ 412,625,570	\$ 343,943,514	\$ 330,008,826

The main reasons for the year-to-year changes in total cost of services are due to an increase in instructional expenditures, and an increase in pupil services, and an overall increase in services provided to students.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$257,374,782, which is a decrease of \$15,230,716 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	\$ 95,767,275	\$ 422,246,122	\$ 400,034,464	\$ 117,978,933
Building Fund	97,795,363	2,481,470	29,968,247	70,308,586
Cafeteria Fund	8,830,513	24,030,960	24,643,430	8,218,043
Capital Facilities Fund	27,047,442	5,805,720	13,870,387	18,982,775
County School Facilities Fund	205	1,310,255	-	1,310,460
Special Reserve Fund for Capital Outlay Projects	30,243,621	2,630,712	11,517,022	21,357,311
Bond Interest and Redemption Fund	12,921,079	19,746,777	13,449,182	19,218,674
Total	\$ 272,605,498	\$ 478,252,016	\$ 493,482,732	\$ 257,374,782

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The actual fund balance during the 2018-2019 fiscal year increased approximately \$22.2 million, primarily due to an increase in LCFF revenues, property tax revenue, Federal revenues, and an increase in receivables.
2. The Building Fund decrease \$27.5 million mainly attributed to expenditures on Measure H bond projects.
3. Our Capital Facilities Fund revenue was \$5.8 million and expenditures were \$13.8 million for a decrease in fund balance of \$8.1 million. Expenditures include \$6.9 million for projects at Anaheim High School, Kennedy High School, Cypress High School, Sycamore Junior High School, Ball Junior High School, and Oxford Academy. Expenditures also include the payoff of a \$5.0 million QZAB Certificate of Participation.
4. Our Special Reserve fund for Capital Outlay Projects decreased \$8.9 million due to expenditures of \$11.9 million for projects at Anaheim High School, Kennedy High School, Cypress High School, and Oxford Academy. Expenditures of \$41.8 million were attributed to debt service payments recorded in the Special Reserve Fund which is offset by a transfer of funds from the Capital Facilities Fund.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 in September 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 75.

1. General Fund final budgeted ending fund balance increased by approximately \$19.6 million over the original projection. A total of \$11.7 million in restricted funds were budgeted in expenditure accounts in the original budget and then moved to the Restricted Reserve in the final budget. This is a normal practice of the District as not all restricted monies are spent in the year the monies are received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the District had \$336,421,457 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$40,880,008, or 13.8 percent, from last year.

Table 5

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 75,216,776	\$ 40,668,286
Buildings and improvements	246,327,583	241,944,886
Furniture and equipment	14,877,098	12,928,277
Total	\$ 336,421,457	\$ 295,541,449

This year's increase of \$40.8 million is due primarily to the Measure H construction projects and 21st Century classroom furniture.

The District's major construction program is on-going. Smaller, routine facilities projects are also on-going. We present more detailed information about our capital assets in Note 5 to the financial statements.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$368,530,683 in long-term obligations outstanding versus \$390,074,307 last year, a decrease of \$21,543,624, or 5.5 percent. The long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds (financed with property taxes)	\$ 203,141,462	\$ 208,275,371
Premium on issuance	13,584,218	15,036,555
Certificates of participation	33,060,000	38,605,000
Premium on issuance	1,742,811	1,823,872
Net other postemployment benefits (OPEB) liability	105,454,498	111,258,050
Other	11,547,694	15,075,459
Total	\$ 368,530,683	\$ 390,074,307

The District's general obligation bond rating is "AAA." The State limits the amount of general obligation debt that districts can issue to no more than 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$203,141,462 is significantly below the statutorily-imposed limit.

Other obligations include the issuance of property and liability claims, compensated absences, capital leases and supplemental early retirement plans. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At the end of this year, the District had \$362,700,856 in net pension liability versus \$336,155,766 last year, a decrease of \$3,454,910, or 0.9 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

The District completed site improvements in the amount of \$15.4 million at Kennedy High School and Cypress High School.

The District completed the installation of security fencing at Sycamore Junior High School, Loara High School, Anaheim High School, and Oxford Academy. Security cameras have been installed on all school sites to provide an additional layer of security.

The District received a State School Facilities CTE grant in the amount of \$1.3 million for Oxford Academy.

An electric bus charging station was installed to accommodate the current electric buses and for the future purchase of electric buses.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Adopted Budget for the 2019-2020 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Cost-of-Living Adjustment (COLA) of 3.26 percent statutory COLA.
2. Average Daily Attendance (ADA) was budgeted at a 487 decrease from prior year.
3. The GAP funding rate is fully funded at 100 percent.
4. The unduplicated enrollment count percentage used was 73.83 percent. The three-year rolling average is 74.09 percent
5. State lottery was budgeted at \$204 per ADA.
6. Grants include estimated carryover from 2018-2019 and are adjusted to actual after June 30, 2019.
7. Interest rate for Cash in County is budgeted at 2.09 percent.
8. Certificated negotiations for the 2019-2020 fiscal year are not complete.
9. Classified negotiations for the 2019-2020 fiscal year are not complete.
10. Health and welfare costs were budgeted for an overall increase due to estimated increase in premiums. Workers' Compensation was budgeted to increase by 4.4 percent due to premium increase.
11. Routine restricted maintenance expenditures include three percent of total budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 questions about this report or need any additional financial information, contact the Assistant Superintendent, Business, at (714) 999-3555, Anaheim Union High School District, 501 Crescent Way, Anaheim, California, 92803, or e-mail at root_j@auhsd.us.

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 301,070,380
Receivables	15,771,254
Stores inventories	791,982
Capital assets	
Land and construction in process	75,216,776
Other capital assets	432,589,271
Less: Accumulated depreciation	(171,384,590)
Total Capital Assets	<u>336,421,457</u>
Total Assets	<u>654,055,073</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,071,478
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	5,041,889
Deferred outflows of resources related to pensions	97,747,429
Total Deferred Outflows of Resources	<u>103,860,796</u>
LIABILITIES	
Accounts payable	29,304,000
Accrued interest payable	3,798,827
Unearned revenue	1,328,325
Claims liability	6,534,276
Long-term obligations:	
Current portion of long-term obligations other than pensions	17,903,038
Noncurrent portion of long-term obligations other than pensions	350,627,645
Total Long-Term Obligations	<u>368,530,683</u>
Aggregate net pension liability	<u>362,700,856</u>
Total Liabilities	<u>772,196,967</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	11,679,756
Deferred inflows of resources related to pensions	42,083,006
Total Deferred Inflows of Resources	<u>53,762,762</u>
NET POSITION	
Net investment in capital assets	183,178,919
Restricted for:	
Debt service	15,419,847
Capital projects	20,293,235
Educational programs	11,753,454
Other activities	31,177,839
Unrestricted (deficit)	(329,867,154)
Total Net Position (deficit)	<u>\$ (68,043,860)</u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 252,460,145	\$ 1,107,395	\$ 50,684,217
Instruction-related activities:			
Supervision of instruction	8,036,508	133,956	2,055,061
Instructional library, media, and technology	1,899,406	-	80,167
School site administration	24,468,451	12,931	1,524,073
Pupil services:			
Home-to-school transportation	8,174,942	5,733	359,930
Food services	25,451,079	2,176,084	21,498,980
All other pupil services	26,739,082	28,331	5,659,218
General administration:			
Data processing	6,502,153	-	184,960
All other general administration	15,136,528	11,834	1,509,683
Plant services	40,282,018	37,827	1,394,216
Ancillary services	6,497,157	5,633	890,130
Community services	744,540	-	137,272
Interest on long-term obligations	8,849,940	-	-
Other outgo	12,973,284	1,139,828	2,324,006
Total Governmental Activities	\$ 438,215,233	\$ 4,659,552	\$ 88,301,913

General Revenues and Subventions:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes levied for other specific purposes
Federal and State aid not restricted to specific purposes
Interest and investment earnings
Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Program Revenues	Net (Expenses) Revenues and Changes in Net Position
Capital Grants and Contributions	Total
\$ 1,310,254	\$ (199,358,279)
-	(5,847,491)
-	(1,819,239)
-	(22,931,447)
-	(7,809,279)
-	(1,776,015)
-	(21,051,533)
-	(6,317,193)
-	(13,615,011)
-	(38,849,975)
-	(5,601,394)
-	(607,268)
-	(8,849,940)
-	(9,509,450)
<u>\$ 1,310,254</u>	<u>(343,943,514)</u>

100,623,646
19,537,355
3,442,422
239,293,175
5,767,643
12,947,534
<u>381,611,775</u>
37,668,261
(105,712,121)
<u>\$ (68,043,860)</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 119,687,316	\$ 79,624,922	\$ 70,578,141	\$ 269,890,379
Receivables	12,915,260	157,135	2,631,633	15,704,028
Due from other funds	861,235	1,282	1,506,853	2,369,370
Stores inventories	659,545	-	132,437	791,982
Total Assets	\$ 134,123,356	\$ 79,783,339	\$ 74,849,064	\$ 288,755,759
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,433,358	\$ 9,457,544	\$ 4,792,380	\$ 27,683,282
Due to other funds	1,508,135	17,209	844,026	2,369,370
Unearned revenue	1,202,930	-	125,395	1,328,325
Total Liabilities	16,144,423	9,474,753	5,761,801	31,380,977
Fund Balances:				
Nonspendable	814,545	-	132,437	946,982
Restricted	11,753,454	70,308,586	68,954,826	151,016,866
Assigned	46,004,443	-	-	46,004,443
Unassigned	59,406,491	-	-	59,406,491
Total Fund Balances	117,978,933	70,308,586	69,087,263	257,374,782
Total Liabilities and Fund Balances	\$ 134,123,356	\$ 79,783,339	\$ 74,849,064	\$ 288,755,759

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds **\$ 257,374,782**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

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 the following	\$ 507,806,047	
Accumulated depreciation is the following	(171,384,590)	
Net Capital Assets		336,421,457

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is less) and are included with governmental activities. 1,071,478

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (3,798,827)

An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program and the health & welfare program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net position are the following: 23,092,233

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	36,130,268	
Net change in proportionate share of net pension liability	2,333,112	
Differences between projected and actual earnings on pension plan investments	981,405	
Differences between expected and actual experience in the measurement of the total pension liability	8,597,560	
Changes of assumptions	49,705,084	
Total Deferred Outflows of Resources Related to Pensions		97,747,429

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(29,193,609)	
Differences between projected and actual earnings on pension plan investments	(9,358,961)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,530,436)	
Total Deferred Inflows of Resources Related to Pensions		(42,083,006)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued) JUNE 30, 2019

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (362,700,856)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of changes of assumptions. 5,041,889

Deferred inflows of resources related to OPEB represent a acquisition of net position that applies to future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of difference between expected and actual experience in the measurement of the total OPEB liability. (11,679,756)

Long-term obligations, including bonds payable, 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	\$ 194,563,956
Premium on issuance, net of amortization	13,584,218
Certificates of participation	33,060,000
Premium on issuance, net of amortization	1,742,811
Property and liability	358,000
Compensated absences	1,883,857
Capital leases	3,028,928
Supplemental early retirement plan	6,276,909
Net other postemployment benefits (OPEB) liability	105,454,498

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest on the general obligation bonds to date is:

8,577,506

Total Long-Term Obligations (368,530,683)

Total Net Position - Governmental Activities **\$ (68,043,860)**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR-ENDED JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 324,035,773	\$ -	\$ -	\$ 324,035,773
Federal sources	20,718,715	-	19,984,027	40,702,742
Other State sources	66,039,459	-	2,794,360	68,833,819
Other local sources	11,296,812	2,481,470	28,850,499	42,628,781
Total Revenues	422,090,759	2,481,470	51,628,886	476,201,115
EXPENDITURES				
Current				
Instruction	248,892,024	-	-	248,892,024
Instruction-related activities:				
Supervision of instruction	7,874,429	-	-	7,874,429
Instructional library, media, and technology	1,855,224	-	-	1,855,224
School site administration	23,417,591	-	-	23,417,591
Pupil services:				
Home-to-school transportation	8,532,635	-	-	8,532,635
Food services	87,654	-	24,156,680	24,244,334
All other pupil services	26,467,745	-	-	26,467,745
General administration:				
Data processing	6,650,870	-	-	6,650,870
All other general administration	14,415,700	-	71,695	14,487,395
Plant services	39,763,880	-	344,645	40,108,525
Ancillary services	6,477,623	-	-	6,477,623
Community services	727,994	-	-	727,994
Other outgo	12,973,284	-	-	12,973,284
Facility acquisition and construction	1,400,578	29,968,247	16,709,225	48,078,050
Debt service				
Principal	413,524	-	11,510,000	11,923,524
Interest and other	83,709	-	8,792,238	8,875,947
Total Expenditures	400,034,464	29,968,247	61,584,483	491,587,194
Excess (Deficiency) of Revenues Over Expenditures	22,056,295	(27,486,777)	(9,955,597)	(15,386,079)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,895,538	1,895,538
Other sources - proceeds from a capital lease	155,363	-	-	155,363
Transfers out	-	-	(1,895,538)	(1,895,538)
Net Financing Sources (Uses)	155,363	-	-	155,363
NET CHANGE IN FUND BALANCES	22,211,658	(27,486,777)	(9,955,597)	(15,230,716)
Fund Balances - Beginning	95,767,275	97,795,363	79,042,860	272,605,498
Fund Balances - Ending	\$ 117,978,933	\$ 70,308,586	\$ 69,087,263	\$ 257,374,782

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR- ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds **\$ (15,230,716)**

**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 capital outlays exceeds depreciation in the period.

Capital outlays	\$ 51,197,923	
Depreciation expense	<u>(10,243,873)</u>	40,954,050

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (74,042)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (155,363)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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). Vacation used was more than the amounts earned by \$128,585. Special termination benefits added was less than the amount paid by \$3,121,019. 3,249,604

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. (8,506,602)

The claims activity for property liability are reported in governmental funds (General Fund) as expenditures. In the Statement of Net Position, the property liabilities incurred but not claimed are reported as long-term obligations. 20,000

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (834,315)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR-ENDED JUNE 30, 2019

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	\$	5,965,000	
Certificates of participation		5,545,000	
Capital lease obligations		<u>413,524</u>	\$ 11,923,524

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium		1,533,398	
Amortization of deferred charges on refunding		<u>(183,682)</u>	1,349,716

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 two factors. First, accrued interest on the general obligation bonds increased by \$492,618, and second, \$831,091 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(1,323,709)

An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program and the health and welfare program to the individual funds. The net increase of the Internal Service Fund is reported with governmental activities.

Change in Net Position of Governmental Activities

	6,296,114
\$	<u>37,668,261</u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 31,180,001
Receivables	67,226
Total Current Assets	<u>31,247,227</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,620,718
Current portion of claims liability	6,165,508
Total Current Liabilities	<u>7,786,226</u>
Noncurrent Liabilities	
Claims liability	368,768
Total Liabilities	<u>8,154,994</u>
NET POSITION	
Restricted	23,092,233
Total Net Position	<u><u>\$ 23,092,233</u></u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION

JUNE 30, 2019

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 58,624,615</u>
OPERATING EXPENSES	
Professional and contract services	<u>52,863,096</u>
Operating Income	<u>5,761,519</u>
NONOPERATING REVENUES	
Interest income	<u>534,595</u>
Change in Net Position	6,296,114
Total Net Position - Beginning	<u>16,796,119</u>
Total Net Position - Ending	<u><u>\$ 23,092,233</u></u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 58,624,615
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(52,343,725)
Net Cash Provided in Operating Activities	<u>6,280,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>558,477</u>
Net Increase in Cash and Cash Equivalents	6,839,367
Cash and Cash Equivalents - Beginning	24,340,634
Cash and Cash Equivalents - Ending	<u><u>\$ 31,180,001</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED IN OPERATING ACTIVITIES:	
Operating income	\$ 5,761,519
Changes in assets and liabilities:	
Accounts payable	405,538
Claims liability	113,833
NET CASH PROVIDED IN OPERATING ACTIVITIES	<u><u>\$ 6,280,890</u></u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits and investments	\$ 2,610,955
Receivables	84,841
Stores inventories	18,682
Total Assets	\$ 2,714,478
LIABILITIES	
Accounts payable	\$ 27,194
Due to student groups	2,687,284
Total Liabilities	\$ 2,714,478

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Anaheim Union High School District (the District) was organized in 1898 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 7-12 as mandated by the State and Federal agencies. The District operates eight high schools, one continuation high school, eight junior high schools, one 7-12 academy, one special education facility, and an independent study program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Anaheim Union High School District Facilities Corporation (the Corporation), as represented by the 2003 Qualified Zone Academy Bond Certificates of Participation and the 2017 Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District. The financial statements present the Corporation's financial debt activity within the Capital Facilities Fund. All debt instruments issued by the Corporation are included as long-term obligations in the government-wide financial statements.

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 three broad fund categories: governmental, proprietary, and fiduciary.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Under the Flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within this fund would be considered to be available for general education purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,870,975, an increase of revenues and other financing sources of \$123,152, and a decrease in expenditures and other financing uses of \$558,601.

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.

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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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).

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et. seq.). 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 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), the 2016 State School Facilities Fund (Proposition 51) 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 Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

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).

Proprietary Fund Proprietary Fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service Fund may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates workers' compensation and health and welfare self-insurance funds that are accounted for in an internal service fund.

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 four classifications: pension trust funds, investment trust funds, 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 operates no trust funds. 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 activities (ASB) and monies received on behalf of Special Education Local Plan Area (SELPA) for special education revenue passed through to Greater Anaheim Special Education Local Plan Area (GASELPA).

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. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes 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. 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 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 internal service funds, and the restrictions on the use of these funds.

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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a 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 balance 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Proprietary Funds Proprietary Funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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 90 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 combined 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 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments held at June 30, 2019, 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 county and State investment pools 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 and expenses in the fiduciary type funds when used.

Deferred Charges

Deferred charges relate to the refunding of long-term debt obligations. In the government-wide and proprietary funds financial statements, costs of refunding (the difference between the reacquisition price and the net carrying value of the refunded debt) are capitalized and amortized over the life of the related debt as a component of interest expense using a method that approximates the effective interest method. In the governmental fund financial statements, these costs are reported as expenditures.

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. 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 financial statement of net position. The valuation basis for general capital assets are 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, 25 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 5 to 15 years.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability on the government-wide statement of net position as the benefits are earned. For governmental funds, unpaid compensation absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In the government-wide financial statements and in the proprietary fund type financial statements, premiums and discounts on issuance of long-term obligations are deferred and amortized over the life of the related debt as a component of interest expense using the straight-line method. In the governmental funds, premiums and discounts on issuance of long-term obligations are recognized as other financing sources and uses, respectively.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, 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, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In governmental fund financial statements, bond 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 deferred charges on refunding of debt, for OPEB related items, and for pension related items.

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 OPEB related items and for pension related items.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2019, 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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. The Districts currently does not have any committed funds.

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 assistant superintendent of business may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position net 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 net position restricted by enabling legislation of \$78,644,375.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary cost incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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 on 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 301,070,380
Fiduciary funds	2,610,955
Total Deposits and Investments	<u>\$ 303,681,335</u>

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	\$ 12,906,829
Cash in revolving	155,000
Investments	290,619,506
Total Deposits and Investments	<u>\$ 303,681,335</u>

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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (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 primarily in the Orange County Treasury Investment Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Investment Type	Carrying Value	Maturity Date/ Average Maturity in Days
First American Treasury Obligations	\$ 1,512	19
Orange County Treasury Investment Pool	290,617,994	310
Total	<u>\$ 290,619,506</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment in the First American Treasury Obligations has been rated Aaa-mf by Moody's Investor Service. The investment in the Orange County Treasury Investment Pool has been rated Aaa by Moody's Investor Service.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. There were no investments in any one issuer that represent five percent (5%) or more of the total investments.

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 have a policy for custodial credit risk for deposits. Monies so deposited shall be in a fully-secured or collateralized account or instruments. 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, 2019, the District's bank balance of \$13,223,307 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using		Total
		Level 1	Uncategorized	
		Inputs		
First American Treasury Obligations	\$ 1,512	\$ 1,512	\$ -	\$ 1,512
Orange County Treasury Investment Pool	290,617,994	-	290,617,994	290,617,994
Total	\$ 290,619,506	\$ 1,512	\$ 290,617,994	\$ 290,619,506

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	\$ 6,361,080	\$ -	\$ 2,149,133	\$ -	\$ 8,510,213	\$ -
State Government						
Categorical aid	916,672	-	148,854	-	1,065,526	-
Lottery	1,362,425	-	-	-	1,362,425	-
Local Government						
Interest	157,447	157,135	150,068	56,682	521,332	-
Greater Anaheim SELPA	1,221,295	-	-	-	1,221,295	-
North Orange County ROP	840,108	-	-	-	840,108	-
Due from other LEAs	807,270	-	-	-	807,270	-
Other local sources	1,248,963	-	183,578	10,544	1,443,085	84,841
Total	<u>\$ 12,915,260</u>	<u>\$ 157,135</u>	<u>\$ 2,631,633</u>	<u>\$ 67,226</u>	<u>\$ 15,771,254</u>	<u>\$ 84,841</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 9,063,222	\$ -	\$ -	\$ 9,063,222
Construction in process	31,605,064	48,595,935	14,047,445	66,153,554
Total Capital Assets Not Being Depreciated	40,668,286	48,595,935	14,047,445	75,216,776
Capital Assets Being Depreciated				
Land improvements	23,789,825	-	502,388	23,287,437
Buildings and improvements	367,651,392	13,086,968	119,500	380,618,860
Furniture and equipment	14,375,434	2,555,795	802,973	16,128,256
Vehicles	11,900,061	1,006,670	352,013	12,554,718
Total Capital Assets Being Depreciated	417,716,712	16,649,433	1,776,874	432,589,271
Total Capital Assets	458,384,998	65,245,368	15,824,319	507,806,047
Less Accumulated Depreciation				
Land improvements	19,443,383	334,567	471,617	19,306,333
Buildings and improvements	130,052,948	8,338,933	119,500	138,272,381
Furniture and equipment	9,026,216	936,519	759,702	9,203,033
Vehicles	4,321,002	633,854	352,013	4,602,843
Total Accumulated Depreciation	162,843,549	10,243,873	1,702,832	171,384,590
Governmental Activities Capital Assets, Net	\$ 295,541,449	\$ 55,001,495	\$ 14,121,487	\$ 336,421,457

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,453,639
School site administration	819,510
Home-to-school transportation	307,316
Food services	921,949
Data processing	102,439
All other general administration	512,194
Plant services	1,126,826
Total Depreciation Expenses Governmental Activities	<u>\$ 10,243,873</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - 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, 2019, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 17,209	\$ 844,026	\$ 861,235
Building Fund	1,282	-	-	1,282
Non-Major Governmental Funds	1,506,853	-	-	1,506,853
Total	<u>\$ 1,508,135</u>	<u>\$ 17,209</u>	<u>\$ 844,026</u>	<u>\$ 2,369,370</u>

The balance of \$17,209 is due to the General Fund from the Building Fund for reimbursement of project costs.

A balance of \$843,439 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

A balance of \$587 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for reimbursement of project costs.

The balance of \$1,282 is due to the Building Fund from the General Fund for reimbursement of project costs.

The balance of \$1,506,853 is due to the Capital Facilities Non-Major Governmental Fund from the General Fund for reimbursement of project costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

The Capital Facilities Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to pay debt service payments for the certificates of participation.

\$ 1,895,538

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Accrued payroll and benefits	\$ 6,805,745	\$ 21,815	\$ -	\$ -	\$ 6,827,560	\$ -
LCFF apportionment	1,222,109	-	-	-	1,222,109	-
Books and supplies	800,840	2,933,543	114,435	-	3,848,818	-
Services	2,405,309	1,468,578	167,159	1,618,873	5,659,919	-
Construction	321,343	5,033,608	4,503,070	-	9,858,021	-
Greater Anaheim SELPA	69,234	-	-	-	69,234	-
North Orange County ROP	1,569,269	-	-	-	1,569,269	-
Orange County Department of Education	129,845	-	-	-	129,845	-
Other	109,664	-	7,716	1,845	119,225	27,194
Total	<u>\$ 13,433,358</u>	<u>\$ 9,457,544</u>	<u>\$ 4,792,380</u>	<u>\$ 1,620,718</u>	<u>\$ 29,304,000</u>	<u>\$ 27,194</u>

NOTE 8 - UNEARNED REVENUES

Unearned revenues at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 670,331	\$ -	\$ 670,331
State categorical aid	79,054	-	79,054
Other local	453,545	125,395	578,940
Total	<u>\$ 1,202,930</u>	<u>\$ 125,395</u>	<u>\$ 1,328,325</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 208,275,371	\$ 831,091	\$ 5,965,000	\$ 203,141,462	\$ 13,635,000
Premium on issuance	15,036,555	-	1,452,337	13,584,218	-
Certificates of participation	38,605,000	-	5,545,000	33,060,000	660,000
Premium on issuance	1,823,872	-	81,061	1,742,811	-
Property and liability	378,000	654,991	674,991	358,000	-
Compensated absences	2,012,442	-	128,585	1,883,857	-
Capital leases	3,287,089	155,363	413,524	3,028,928	487,019
Supplemental early retirement plan	9,397,928	-	3,121,019	6,276,909	3,121,019
Net other postemployment benefits (OPEB) liability	111,258,050	11,578,167	17,381,719	105,454,498	-
	<u>\$ 390,074,307</u>	<u>\$ 13,219,612</u>	<u>\$ 34,763,236</u>	<u>\$ 368,530,683</u>	<u>\$ 17,903,038</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation are made by the Special Reserve Fund for Capital Outlay Projects and the Capital Facilities Fund. Payments for the property and liability, capital leases and supplemental early retirement plan are made by the General Fund. The compensated absences will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liability is paid by the Self-Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Accreted	Redeemed	Bonds Outstanding June 30, 2019
6/6/02	8/1/26	3.00 - 5.70%	\$ 91,999,603	\$ 5,315,028	\$ 307,235	\$ -	\$ 5,622,263
12/5/03	8/1/28	2.00 - 5.54%	26,999,352	7,620,343	523,856	-	8,144,199
10/11/12	8/1/27	2.50 - 5.00%	21,225,000	16,865,000	-	1,000,000	15,865,000
5/7/15	8/1/40	3.25 - 5.00%	63,455,000	47,045,000	-	-	47,045,000
5/7/15	8/1/25	5.00%	57,455,000	48,430,000	-	4,965,000	43,465,000
4/5/18	8/1/43	3.25 - 5.00%	83,000,000	83,000,000	-	-	83,000,000
			<u>\$ 344,133,955</u>	<u>\$ 208,275,371</u>	<u>\$ 831,091</u>	<u>\$ 5,965,000</u>	<u>\$ 203,141,462</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

2002 General Obligation Bonds, Series A

On June 6, 2002, the District issued \$91,999,603 aggregate original principal amount of 2002 General Obligation Bonds, Series A. The bonds issued included \$89,790,000 of current interest bonds and \$2,209,603 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of \$8,570,000. The bonds mature through August 1, 2026, with interest rates ranging from 3.00 to 5.70 percent. On January 13, 2005, \$67,565,000 of the bonds were advanced refunded with proceeds from the 2005 General Obligation Refunding Bonds. At June 30, 2019, the principal balance outstanding (including accreted interest to date) was \$5,622,263 and unamortized premium was \$660,188.

2003 General Obligation Bonds, Series B

On December 5, 2003, the District issued the \$26,999,352 aggregate original principal amount of 2003 General Obligation Bonds, Series B. The bonds issued included \$24,020,000 of current interest bonds and \$2,979,352 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of \$15,040,000. The bonds mature through August 1, 2028, with interest rates ranging from 2.00 to 5.54 percent.

As a result of the issuance of the 2012 General Obligation Refunding Bonds, a partial funding of \$21,985,000 was affected for these bonds. As of June 30, 2019, the principal balance outstanding (including accreted interest to date) was \$8,144,199.

2012 General Obligation Refunding Bonds

On October 11, 2012, the District issued \$21,225,000 of the 2012 General Obligation Refunding Bonds. The current interest bonds mature through August 1, 2027, with interest rates ranging from 2.50 to 5.00 percent. Proceeds from the bonds were be used to advance refund the District's outstanding 2003 General Obligation Bonds, Series B current interest bonds, with prepayment occurring August 1, 2013.

As of June 30, 2019, the principal balance outstanding was \$15,865,000, and unamortized premium was \$1,120,742.

2014 General Obligation Bonds, Series 2015

On May 7, 2015, the District issued \$63,455,000 of the 2014 General Obligation Bonds, Series 2015. The bonds mature through August 1, 2040, with interest rates ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds were used to finance school improvements, including prepayment on a current basis of lease payments associated with certain of the District's outstanding certificates of participations, and to pay costs of issuance. At June 30, 2019, the principal balance outstanding was \$47,045,000 and unamortized premium was \$2,436,115.

2015 General Obligation Refunding Bonds

On May 7, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of \$57,455,000. The bonds mature through August 1, 2025, and with an interest rate of 5.00 percent.

The bonds were issued to refund \$58,320,000 of the outstanding 2005 General Obligation Refunding Bonds and \$6,495,000 of the outstanding 2002 General Obligation Bonds, Series 2006C. As of June 30, 2019, the principal balance of \$43,465,000 remained outstanding and unamortized premium and deferred charges on refunding were \$5,554,935 and \$1,071,478, respectively.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2014 General Obligation Bonds, Series 2018

On April 5, 2018, the District issued \$83,000,000 of the 2014 General Obligation Bonds, Series 2018. The bonds mature through August 1, 2043, with interest rates ranging from 3.25 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 4, 2014, and to pay costs of issuance. At June 30, 2019, the principal balance outstanding was \$83,000,000 and unamortized premium was \$3,812,238.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2044 as follows:

Fiscal Year June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	\$ 13,635,000	\$ -	\$ 7,738,588	\$ 21,373,588
2021	11,415,000	-	7,112,338	18,527,338
2022	9,705,000	-	6,584,338	16,289,338
2023	10,005,000	-	6,091,588	16,096,588
2024	9,230,000	-	5,617,363	14,847,363
2025-2029	49,846,462	9,843,538	22,210,166	81,900,166
2030-2034	23,475,000	-	16,724,569	40,199,569
2035-2039	34,210,000	-	11,425,171	45,635,171
2040-2044	41,620,000	-	3,888,736	45,508,736
Total	<u>\$ 203,141,462</u>	<u>\$ 9,843,538</u>	<u>\$ 87,392,857</u>	<u>\$ 300,377,857</u>

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2018	Redeemed	Outstanding June 30, 2019
12/23/03	12/23/18	-	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -
1/11/17	9/1/41	3.00-5.00%	34,595,000	33,605,000	545,000	33,060,000
				<u>\$ 38,605,000</u>	<u>\$ 5,545,000</u>	<u>\$ 33,060,000</u>

2003 Qualified Zone Academy Bond Certificates of Participation

On December 23, 2003, the District issued \$5,000,000 of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 23, 2018. At June 30, 2019, the QZAB certificates were fully defeased.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

2017 Certificates of Participation

On January 11, 2017, the District issued certificates of participation in the amount \$34,595,000. The certificates of participation were issued to finance the costs of acquiring, constructing, installing, and equipping certain improvements to the sites and facilities owned by the District and to pay cost of issuance. The interest rates range from 3.00 to 5.00 percent, and the certificates of participation mature through September 1, 2041. At June 30, 2019, the principal balance outstanding was \$33,060,000 and unamortized premium was \$1,742,811.

Debt Service Requirements to Maturity

The certificates of participation mature through 2042 as follows:

Fiscal Year June 30,	Principal	Current Interest to Maturity	Total
2020	\$ 660,000	\$ 1,280,656	\$ 1,940,656
2021	795,000	1,244,281	2,039,281
2022	935,000	1,201,031	2,136,031
2023	1,090,000	1,150,406	2,240,406
2024	1,260,000	1,091,656	2,351,656
2025-2029	9,340,000	4,255,931	13,595,931
2030-2034	10,805,000	2,125,042	12,930,042
2035-2039	5,730,000	849,169	6,579,169
2040-2042	2,445,000	133,263	2,578,263
Total	<u>\$ 33,060,000</u>	<u>\$ 13,331,435</u>	<u>\$ 46,391,435</u>

Property and Liability

The District has a property and liability program balance of \$358,000 at June 30, 2019.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,883,857.

Capital Lease

The District has entered into an agreement to lease vehicles and pool covers. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on the lease agreements with option to purchase are summarized below:

Balance, July 1, 2018	\$ 3,705,201
Additions	155,363
Payments	(497,233)
Balance, June 30, 2019	<u>\$ 3,363,331</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	\$ 560,790
2021	442,735
2022	393,301
2023	393,301
2024	393,301
2025-2027	1,179,903
Total	3,363,331
Less: Amount Representing Interest	334,403
Present Value of Minimum Lease Payments	<u>\$ 3,028,928</u>

Supplemental Early Retirement Plan (SERP)

During the 2014-2015, 2015-2016, 2016-2017, and 2017-2018 fiscal years, the District adopted supplemental early retirement plans whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The criteria for participation are as follows; full-time certificated and classified employees of the District, at least 55 years of age by the date of retirement, with at least five years of continuous service with the District by date of retirement. The annuities offered to the employees are to be paid over a five-year period.

Future annuity payments are as follows:

Year Ending June 30,	Amount
2020	\$ 3,121,019
2021	1,577,945
2022	1,577,945
Total	<u>\$ 6,276,909</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 103,637,631	\$ 5,041,889	\$ 11,679,756	\$ 1,104,976
Medicare Premium Payment (MPP) Program	1,816,867	-	-	(270,661)
Total	<u>\$ 105,454,498</u>	<u>\$ 5,041,889</u>	<u>\$ 11,679,756</u>	<u>\$ 834,315</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

As of July 1, 2018, valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	617
Active employees	2,585
	<u>3,202</u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Anaheim Secondary Teacher Association (ASTA), the local California Service Employees Association (CSEA), Anaheim Professional Guidance Association (APGA), American Federation of State, County, and Municipal Employees (AFSCME), and unrepresented groups. The benefit payments is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ASTA, CSEA, APGA, AFSCME and the unrepresented groups. For fiscal year 2018-2019, the District paid \$3,786,266 in benefits.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Total OPEB Liability of the District

The District's total OPEB liability of \$103,637,631 was measured as of June 30, 2019 and the total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	4.00 percent, average, including inflation
Discount rate	3.13 percent
Healthcare cost trend rates	6.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 109,170,522
Service cost	2,408,818
Interest	3,417,335
Difference between expected and actual experience in the measurement of the total OPEB liability	(13,324,792)
Changes of assumptions	5,752,014
Benefit payments	(3,786,266)
Net change in total OPEB liability	(5,532,891)
Balance at June 30, 2019	\$ 103,637,631

Changes of assumptions reflect a change in the discount rate from 3.62 percent in 2018 to 3.13 percent in 2019.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.13%)	\$ 115,474,478
Current discount rate (3.13%)	103,637,631
1% increase (4.13%)	93,088,491

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.0%)	\$ 91,618,176
Current healthcare cost trend rate (6.0%)	103,637,631
1% increase (7.0%)	117,925,647

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,104,976. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the total OPEB liability	\$ -	\$ 11,679,756
Changes of assumptions	5,041,889	-
Total	<u>\$ 5,041,889</u>	<u>\$ 11,679,756</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (934,911)
2021	(934,911)
2022	(934,911)
2023	(934,911)
2024	(934,911)
Thereafter	(1,963,312)
	<u>\$ (6,637,867)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,816,867 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.4747 percent, and 0.4962 percent, resulting in a net decrease in the proportionate share of 0.0215 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(270,661).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.87%)	\$ 2,009,546
Current discount rate (3.87%)	1,816,867
1% increase (4.87%)	1,642,892

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,656,800
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,816,867
1% increase (4.7% Part A and 5.1% Part B)	1,989,017

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 155,000	\$ -	\$ -	\$ 155,000
Stores inventories	659,545	-	132,437	791,982
Total Nonspendable	814,545	-	132,437	946,982
Restricted				
Legally restricted programs	11,753,454	-	-	11,753,454
Nutrition services	-	-	8,085,606	8,085,606
Capital projects	-	70,308,586	41,650,546	111,959,132
Debt services	-	-	19,218,674	19,218,674
Total Restricted	11,753,454	70,308,586	68,954,826	151,016,866
Assigned				
School site discretionary carryover	291,652	-	-	291,652
Potential AFSCME settlement	386,745	-	-	386,745
CTE facility project	439,019	-	-	439,019
2017-18 one-time discretionary funds	841,888	-	-	841,888
Loara and Cypress pools	2,400,000	-	-	2,400,000
Supplemental and concentration carryover	4,002,343	-	-	4,002,343
Additional three percent reserve	11,615,920	-	-	11,615,920
Textbook reserve	20,155,901	-	-	20,155,901
Deferred maintenance	5,870,975	-	-	5,870,975
Total Assigned	46,004,443	-	-	46,004,443
Unassigned				
Reserve for economic uncertainties	11,615,920	-	-	11,615,920
Remaining unassigned	47,790,571	-	-	47,790,571
Total Unassigned	59,406,491	-	-	59,406,491
Total	\$ 117,978,933	\$ 70,308,586	\$ 69,087,263	\$ 257,374,782

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT - CLAIMS

Description

The Anaheim Union High School District's risk management activities are recorded in the General Fund and in the Health and Welfare and the Workers' Compensation Self-Insurance Funds. The purpose of the Self-Insurance Funds is to administer retiree and employee medical, dental, vision, and workers' compensation programs of the Anaheim Union High School District on a cost-reimbursement basis. These funds account for the risk financing activities of the Anaheim Union High School District, but do not constitute a transfer of risk for the Anaheim Union High School District. As of 1997-1998, the District has purchased an insurance policy for workers' compensation and is fully insured. Unpaid claims liability relate to the period prior to 1997-1998.

The District participates in the Southern California Regional Liability Excess Fund for property and liability coverage. Refer to Note 14 for additional information regarding the JPA's.

Claims Liabilities

Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 2017	\$ 411,766	\$ 3,780,407	\$ 4,192,173
Claims and changes in estimates	160,376	33,440,810	33,601,186
Claims payments	(112,326)	(31,260,590)	(31,372,916)
Liability Balance, July 1, 2018	459,816	5,960,627	6,420,443
Claims and changes in estimates	165,776	44,651,167	44,816,943
Claims payments	(128,412)	(44,574,698)	(44,703,110)
Liability Balance, June 30, 2019	\$ 497,180	\$ 6,037,096	\$ 6,534,276
Assets available to pay claims at June 30, 2019	\$ 748,998	\$ 28,877,510	\$ 29,626,508

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 12 - 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).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 243,050,018	\$ 65,563,142	\$ 36,827,805	\$ 24,651,604
CalPERS	119,650,838	32,184,287	5,255,201	19,985,266
Total	<u>\$ 362,700,856</u>	<u>\$ 97,747,429</u>	<u>\$ 42,083,006</u>	<u>\$ 44,636,870</u>

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
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 percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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, 2019, are presented above and the District's total contributions were \$24,717,866.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

At June 30, 2019, 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	\$ 243,050,018
State's proportionate share of the net pension liability associated with the District	139,157,502
Total	<u>\$ 382,207,520</u>

The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2645 percent and 0.2741 percent, resulting in a net decrease in the proportionate share of 0.0096 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$24,651,604. In addition, the District recognized pension expense and revenue of \$16,347,869 for support provided by the State. At June 30, 2019, 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	\$ 24,717,866	\$ -
Net change in proportionate share of net pension liability	2,333,112	23,938,408
Differences between projected and actual earnings on pension plan investments	-	9,358,961
Differences between expected and actual experience in the measurement of the total pension liability	753,689	3,530,436
Changes of assumptions	37,758,475	-
Total	<u>\$ 65,563,142</u>	<u>\$ 36,827,805</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,032,094
2021	(1,474,541)
2022	(7,851,804)
2023	(2,064,710)
Total	<u>\$ (9,358,961)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,464,717
2021	2,464,717
2022	2,464,717
2023	2,184,181
2024	4,921,011
Thereafter	(1,122,911)
Total	<u>\$ 13,376,432</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 356,039,834
Current discount rate (7.10%)	243,050,018
1% increase (8.10%)	149,370,496

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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Benefits Provided

CalPERS provide 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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 percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2019, are presented above and the total District contributions were \$11,412,402.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$119,650,838. The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.4487 percent and 0.4720 percent, resulting in a net decrease in the proportionate share of 0.0233 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$19,985,266. At June 30, 2019, 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	\$ 11,412,402	\$ -
Net change in proportionate share of net pension liability	-	5,255,201
Differences between projected and actual earnings on pension plan investments	981,405	-
Differences between expected and actual experience in the measurement of the total pension liability	7,843,871	-
Changes of assumptions	11,946,609	-
Total	<u>\$ 32,184,287</u>	<u>\$ 5,255,201</u>

The deferred outflows 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,569,587
2021	853,635
2022	(2,735,587)
2023	(706,230)
Total	<u>\$ 981,405</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, the differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 6,613,865
2021	6,443,634
2022	1,477,780
Total	<u>\$ 14,535,279</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 174,205,898
Current discount rate (7.15%)	119,650,838
1% increase (8.15%)	74,389,606

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 Social Security as its alternative plan. 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 \$12,843,367 (9.828 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On-behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 13 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Anaheim High School - Security Fencing	\$ 239,000	July 2019
Lexington Junior High School - Relocatable Buildings	73,031	August 2019
Savanna High School - Underground Abatement	104,259	August 2019
Western High School - Parking Lot Improvements	2,047,933	August 2019
Districtwide - Classroom Repairs - Painting	71,500	August 2019
Districtwide - Classroom Repairs - Abatement	3,965	August 2019
Districtwide - Classroom Repairs - Polished Concrete	89,000	August 2019
District Office - Roof Replacement	1,415,215	September 2019
Cypress High School - Site Improvements	1,870,558	October 2019
Kennedy High School - Site Improvements	1,229,790	October 2019
Anaheim High School - Aquatic Center	6,456,786	November 2019
Oxford Academy - New Construction & Modernization	1,656,319	November 2019
Ball Junior High School - Parking Lot Improvements	1,030,914	November 2019
Districtwide - Prop 39 VFD Pool Pump Installation	149,087	December 2019
Savanna High School - Modernization Inc. 3 & 4	11,999,339	January 2020
Dale Junior High School / Polaris - New Construction & Modernization	45,096,480	March 2021
	<u>\$ 73,533,176</u>	

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, 2019.

Litigation

The District is involved in various litigations 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, 2019.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 - PARTICIPATION IN JOINT POWERS AGENCIES AND PUBLIC ENTITY RISK POOLS

The District is a member of the North Orange County Regional Occupational Program (NOCROP) and the Southern California Regional Liability Excess Fund (SCRLEF) public entity risk pools. The District pays an annual premium to each entity for its health and property/liability coverage, and education services. The relationships between the District and the 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 appointed one board member to the governing board of NOCROP and SCRLEF.

During the year-ended June 30, 2019, the District made payments of \$7,939,038 and \$1,630,346 to NOCROP and SCRLEF, respectively, for services rendered and pass-through funds.

NOTE 15 – SUBSEQUENT EVENTS

2014 General Obligation Bonds, Series 2019

On November 13, 2019, the District issued \$102,545,000 of the 2014 General Obligation Bonds, Series 2019. The bonds mature through August 1, 2043, with interest rates ranging from 3.00 to 5.00 percent. The proceeds from the sales of the bonds will be used to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 4, 2014, and to pay costs of issuance.



REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR-ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Local Control Funding Formula	\$ 322,411,877	\$ 324,035,773	\$ 324,035,773	\$ -
Federal sources	20,626,956	22,542,952	20,718,715	(1,824,237)
Other State sources	53,735,614	52,907,211	66,039,459	13,132,248
Other local sources	9,127,667	11,152,931	11,296,812	143,881
Total Revenues¹	405,902,114	410,638,867	422,090,759	11,451,892
EXPENDITURES				
Current				
Certificated salaries	156,881,180	156,381,502	156,205,377	176,125
Classified salaries	56,673,996	59,484,179	59,446,882	37,297
Employee benefits	114,510,140	114,449,585	127,777,614	(13,328,029)
Books and supplies	23,530,939	16,133,054	13,143,182	2,989,872
Services and operating expenditures	38,816,973	28,723,781	25,616,066	3,107,715
Other outgo	6,834,141	9,655,480	13,470,517	(3,815,037)
Capital outlay	6,736,781	4,482,660	4,374,826	107,834
Total Expenditures¹	403,984,150	389,310,241	400,034,464	(10,724,223)
Excess of Revenues Over Expenditures	1,917,964	21,328,626	22,056,295	727,669
OTHER FINANCING SOURCES (USES)				
Other sources - proceeds from a capital lease	-	155,362	155,363	-
Transfers out	(1,500,000)	(1,500,000)	-	1,500,000
Net Financing Sources (Uses)	(1,500,000)	(1,344,638)	155,363	1,500,000
NET CHANGE IN FUND BALANCE	417,964	19,983,988	22,211,658	2,227,669
Fund Balance - Beginning	95,767,275	95,767,275	95,767,275	-
Fund Balance - Ending	\$ 96,185,239	\$ 115,751,263	\$ 117,978,933	\$ 2,227,669

¹ Due to consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budgets. On behalf payments of \$13,399,060 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 2,408,818	\$ 2,659,508
Interest	3,417,335	3,773,411
Difference between expected and actual experience in the measurement of the total OPEB liability	(13,324,792)	-
Changes of assumptions	5,752,014	-
Benefit payments	(3,786,266)	(2,974,091)
Net change in total OPEB liability	(5,532,891)	3,458,828
Total OPEB liability - beginning	109,170,522	105,711,694
Total OPEB liability - ending (a)	\$ 103,637,631	\$ 109,170,522
 Covered payroll	 N/A ¹	 N/A ¹
 District's total OPEB liability as a percentage of covered payroll	 N/A ¹	 N/A ¹

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the Future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.4747%	0.4962%
District's proportionate share of the net OPEB liability	\$ 1,816,867	\$ 2,087,528
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR-ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.2645%	0.2741%
District's proportionate share of the net pension liability	\$ 243,050,018	\$ 253,465,278
State's proportionate share of the net pension liability associated with the District	139,157,502	149,947,918
Total	<u>\$ 382,207,520</u>	<u>\$ 403,413,196</u>
District's covered - employee payroll	<u>\$ 142,788,683</u>	<u>\$ 146,765,787</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	170.22%	172.70%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.4487%	0.4720%
District's proportionate share of the net pension liability	<u>\$ 119,650,838</u>	<u>\$ 112,690,488</u>
District's covered - employee payroll	<u>\$ 55,201,623</u>	<u>\$ 60,547,264</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	216.75%	186.12%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.2893%</u>	<u>0.3109%</u>	<u>0.3034%</u>
\$ 233,962,152	\$ 209,282,863	\$ 177,288,550
<u>133,190,479</u>	<u>110,687,564</u>	<u>107,054,481</u>
<u>\$ 367,152,631</u>	<u>\$ 319,970,427</u>	<u>\$ 284,343,031</u>
<u>\$ 155,056,682</u>	<u>\$ 140,928,288</u>	<u>\$ 136,384,781</u>
<u>150.89%</u>	<u>148.50%</u>	<u>129.99%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.4928%</u>	<u>0.4998%</u>	<u>0.5010%</u>
<u>\$ 97,336,612</u>	<u>\$ 73,663,959</u>	<u>\$ 56,879,614</u>
<u>\$ 60,359,787</u>	<u>\$ 54,558,219</u>	<u>\$ 52,325,387</u>
<u>161.26%</u>	<u>135.02%</u>	<u>108.70%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR-ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	\$ 24,717,866	\$ 20,604,407
Contributions in relation to the contractually required contribution	24,717,866	20,604,407
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 151,829,644	\$ 142,788,683
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
 CalPERS		
Contractually required contribution	\$ 11,412,402	\$ 8,573,364
Contributions in relation to the contractually required contribution	11,412,402	8,573,364
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 63,184,597	\$ 55,201,623
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017	2016	2015
\$ 18,463,136	\$ 16,637,582	\$ 12,514,432
18,463,136	16,637,582	12,514,432
\$ -	\$ -	\$ -
\$ 146,765,787	\$ 155,056,682	\$ 140,928,288
12.58%	10.73%	8.88%
\$ 8,408,804	\$ 7,150,824	\$ 6,422,048
8,408,804	7,150,824	6,422,048
\$ -	\$ -	\$ -
\$ 60,547,264	\$ 60,359,787	\$ 54,558,219
13.888%	11.847%	11.771%

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District's General Fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 390,810,241	\$ 400,034,464	\$ 9,224,223

* On behalf payments of \$13,399,060 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in benefit terms.

Changes of Assumptions – The discount rate changed from 3.62 percent in 2018 to 3.13 percent in 2019.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR-ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 9,109,722
Title II, Part A, Supporting Effective Instruction	84.367	14341	971,056
Title III, English Learner Student Program	84.365	14346	708,781
Title III, Immigrant Student Program	84.365	15146	57,746
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	319,935
Title IV, Part A, Student Support and Academic Enrichment Grant Program (Competitive)	84.424	15391	369,724
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	532,422
Passed through Greater Anaheim SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,388,924
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	13,398
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	337,750
Total Special Education (IDEA) Cluster			<u>5,740,072</u>
Passed through Napa County Office of Education:			
Cali-Reads	84.323A	[1]	2,554
Passed through California State University Fullerton (CSUF):			
California State Gear Up Program	84.334A	[1]	62,956
Passed through California Department of Rehabilitation:			
State Vocational Rehabilitation Services Program	84.126A	30103	67,026
Total U.S. Department of Education			<u>17,941,994</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	14,048,453
Especially Needy Breakfast	10.553	13526	3,632,107
Meal Supplements	10.556	13392	520,266
Food Distribution	10.555	13396	1,783,201
Total Child Nutrition Cluster			<u>19,984,027</u>
Total U.S. Department of Agriculture			<u>19,984,027</u>

[1] - PCA number not available

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued) FOR THE YEAR-ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health and Human Services: Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	\$ 394,731
Passed through Orange County Office of Education (OCDE):			
Medi-Cal Administrative Activities	93.778	10060	1,893,530
Total Medicaid Cluster			2,288,261
Passed through CSUF Auxiliary Services Corporation:			
Health Careers Opportunity Program	93.822	S-6874-AUHSD	16,627
Total U.S. Department of Health and Human Services			2,304,888
U.S. DEPARTMENT OF DEFENSE			
Passed through the OCDE:			
Junior Reserve Officers Training Corps - Army	12.000	[1]	370,145
Junior Reserve Officers Training Corps - Navy	12.000	JROTC162S	101,688
Total U.S. Department of Defense			471,833
Total Expenditures of Federal Awards			\$ 40,702,742

[1] - PCA number not available

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Anaheim Union High School District was established in 1898 and consists of an area comprising approximately 46 square miles. The District operates eight high schools, one alternative education site, eight junior high schools, one 7-12 academy, one special education facility, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brian O'Neal	President	2020
Annemarie Randle-Trejo	Clerk	2022
Katherine H. Smith	Assistant Clerk	2020
Anna L Piercy	Member	2022
Al Jabbar	Member	2022

ADMINISTRATION

Michael B. Matsuda	Superintendent
Jennifer Root	Assistant Superintendent, Business
Jaron Fried	Assistant Superintendent, Educational Services
Brad Jackson	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR-ENDED JUNE 30, 2019

	Final Report	
	Second Period Report 911831EC	Annual Report 28BBB0AC
Regular ADA		
Seventh and eighth	9,511.80	9,490.39
Ninth through twelfth	19,275.42	19,151.98
Total Regular ADA	28,787.22	28,642.37
Extended Year Special Education		
Seventh and eighth	6.39	6.39
Ninth through twelfth	39.22	39.22
Total Extended Year Special Education	45.61	45.61
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.25	2.65
Ninth through twelfth	15.94	18.51
Total Special Education, Nonpublic, Nonsectarian Schools	18.19	21.16
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.66	0.66
Ninth through twelfth	2.04	2.04
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.70	2.70
Total ADA	28,853.72	28,711.84

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR-ENDED JUNE 30, 2019

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		61,560	180	-	Complied
Grade 8		61,560	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,184	180	-	Complied
Grade 10		65,184	180	-	Complied
Grade 11		65,184	180	-	Complied
Grade 12		65,184	180	-	Complied

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR-ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR-ENDED JUNE 30, 2019

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND ³				
Revenues	\$ 407,973,348	\$ 422,122,970	\$ 376,199,865	\$ 386,025,103
Other sources and transfers in	-	-	3,261,087	1,172,232
Total Revenues and Other Sources	407,973,348	422,122,970	379,460,952	387,197,335
Expenditures	(424,194,332)	(399,093,065)	(357,400,604)	(358,111,371)
Other uses and transfers out	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Total Expenditures and Other Uses	(425,694,332)	(400,593,065)	(358,900,604)	(359,611,371)
INCREASE (DECREASE) IN FUND BALANCE	\$ (17,720,984)	\$ 21,529,905	\$ 20,560,348	\$ 27,585,964
ENDING FUND BALANCE	\$ 94,386,974	\$ 112,107,958	\$ 90,578,053	\$ 70,017,705
AVAILABLE RESERVES ²	\$ 45,343,253	\$ 59,406,491	\$ 39,901,027	\$ 32,847,060
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ⁴	10.65%	14.35%	11.12%	9.13%
LONG-TERM OBLIGATIONS	N/A	\$ 368,530,683	\$ 390,074,307	\$ 313,967,203
K-12 AVERAGE DAILY ATTENDANCE AT P-2	28,799	28,854	29,252	29,502

The General Fund balance has increased by \$42,090,253 over the past two years; however, the fiscal year 2019-2020 budget projects a decrease of \$17,720,984 (15.8 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 surpluses in all of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$54,563,480 over the past two years.

Average daily attendance has decreased by 648 over the past two years. An additional decrease of 55 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 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 General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund as required by GASB Statement No. 54.

⁴ On-behalf payments of \$13,399,060 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2019

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 6,752,815	\$ 19,030,436	\$ 1,309,963
Receivables	2,481,565	37,248	510
Due from other funds	-	1,506,853	-
Stores inventories	132,437	-	-
Total Assets	\$ 9,366,817	\$ 20,574,537	\$ 1,310,473
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 179,940	\$ 1,591,175	\$ 13
Due to other funds	843,439	587	-
Unearned revenue	125,395	-	-
Total Liabilities	1,148,774	1,591,762	13
Fund Balances:			
Nonspendable	132,437		-
Restricted	8,085,606	18,982,775	1,310,460
Total Fund Balances	8,218,043	18,982,775	1,310,460
Total Liabilities and Fund Balances	\$ 9,366,817	\$ 20,574,537	\$ 1,310,473

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 24,330,069	\$ 19,154,858	\$ 70,578,141
48,494	63,816	2,631,633
-	-	1,506,853
-	-	132,437
<u>\$ 24,378,563</u>	<u>\$ 19,218,674</u>	<u>\$ 74,849,064</u>

\$ 3,021,252	\$ -	\$ 4,792,380
-	-	844,026
-	-	125,395
<u>3,021,252</u>	<u>-</u>	<u>5,761,801</u>

-	-	132,437
<u>21,357,311</u>	<u>19,218,674</u>	<u>68,954,826</u>
<u>21,357,311</u>	<u>19,218,674</u>	<u>69,087,263</u>
<u>\$ 24,378,563</u>	<u>\$ 19,218,674</u>	<u>\$ 74,849,064</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR-ENDED JUNE 30, 2019

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	\$ 19,984,027	\$ -	\$ -
Other State sources	1,381,736	-	1,302,330
Other local sources	2,665,197	5,805,720	7,925
Total Revenues	24,030,960	5,805,720	1,310,255
EXPENDITURES			
Current			
Pupil services:			
Food services	24,156,680	-	-
General administration:			
All other general administration	-	71,695	-
Plant services	344,645	-	-
Facility acquisition and construction	142,105	6,903,154	-
Debt service			
Principal	-	5,000,000	-
Interest and other	-	-	-
Total Expenditures	24,643,430	11,974,849	-
Excess (Deficiency) of Revenues Over Expenditures	(612,470)	(6,169,129)	1,310,255
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(1,895,538)	-
Net Financing Sources (Uses)	-	(1,895,538)	-
NET CHANGE IN FUND BALANCES	(612,470)	(8,064,667)	1,310,255
Fund Balances - Beginning	8,830,513	27,047,442	205
Fund Balances - Ending	\$ 8,218,043	\$ 18,982,775	\$ 1,310,460

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 19,984,027
-	110,294	2,794,360
735,174	19,636,483	28,850,499
<u>735,174</u>	<u>19,746,777</u>	<u>51,628,886</u>
-	-	24,156,680
-	-	71,695
-	-	344,645
9,663,966	-	16,709,225
545,000	5,965,000	11,510,000
1,308,056	7,484,182	8,792,238
<u>11,517,022</u>	<u>13,449,182</u>	<u>61,584,483</u>
<u>(10,781,848)</u>	<u>6,297,595</u>	<u>(9,955,597)</u>
1,895,538	-	1,895,538
<u>-</u>	<u>-</u>	<u>(1,895,538)</u>
<u>1,895,538</u>	<u>-</u>	<u>-</u>
(8,886,310)	6,297,595	(9,955,597)
30,243,621	12,921,079	79,042,860
<u>\$ 21,357,311</u>	<u>\$ 19,218,674</u>	<u>\$ 69,087,263</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 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 has met 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 1986-87 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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.



INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Anaheim Union High School District
Anaheim, 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 Anaheim Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Anaheim Union High School District's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control over Financial Reporting

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

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 Anaheim 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 Anaheim Union High School District in a separate letter dated December 9, 2019.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 9, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Anaheim Union High School District
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Anaheim Union High School District's major Federal programs for the year ended June 30, 2019. Anaheim 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Anaheim 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, 2019.

Report on Internal Control over Compliance

Management of Anaheim 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 Anaheim Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anaheim 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 9, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Anaheim Union High School District
Anaheim, California

Report on State Compliance

We have audited Anaheim Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 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 Anaheim Union High School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Anaheim 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 *2018-2019 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 Anaheim 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 opinions. Our audit does not provide a legal determination of Anaheim Union High School District's compliance with those requirements.

Basis for Qualified Opinion on the After-School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs as item 2019-001, Anaheim Union High School District did not comply with requirements regarding the After-School Education and Safety Program. Compliance with such requirements is necessary, in our opinion, for Anaheim Union High School District to comply with the requirements applicable to that program.

Qualified Opinion on the After-School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Anaheim Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, Anaheim 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, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District is a high school district and does not offer kindergarten classes; therefore, we did not perform procedures related to the kindergarten continuance.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; 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 a Middle or Early College High School Program; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District is a high school district and does not offer K-3 classes; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

The District received funds for the Apprenticeship Program; however, the funds are passed-through to the North Orange County Regional Occupational Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANAHEIM UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR-ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,221,082</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of Programs</u>
	<u>After School Education and Safety Program</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2019**

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2019**

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR-ENDED JUNE 30, 2019

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2019-001 40000

Criteria or Specific Requirements

California Education Code Section 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Ball Junior High School's summary total for the date range October 1, 2018 through October 5, 2018 and in comparing the total to the site's attendance rosters, it was noted that the summary totals differ significantly. Ball Junior High School's attendance rosters had a total of 326 students served whereas the total of the summary are 389 students served, resulting in 63 exceptions. Exceptions consisted of 63 students who were released before 6PM on a daily basis without documentation of early release.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, there were 63 of 389 students served during the date range October 1, 2018 through October 5, 2018 for which the attendance rosters did not confirm to the District's early release policy.

Context

The condition identified resulted from our review of Ball Junior High School's attendance records and attendance summary totals for the date range October 1, 2018 through October 5, 2018. The auditor selected one of six schools for the first semi-annual reporting period dated July to December 2018. The auditor also noted that for the date range October 1, 2018 through October 5, 2018, Ball Junior High School's did not have early release documented for students that were being released before 6PM on a daily basis.

ANAHEIM UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR-ENDED JUNE 30, 2019

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2018-2019 fiscal year for Ball Junior High School because the report submitted to the State reflects inaccurate attendance information.

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the site deduct those students who are not in compliance with the established early release policy. The site did not have early release reason documented on the rosters for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the site regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan

Each staff member will carry their own group's clipboard with the sign-in and out sheets. As parents arrive to pick up their children, the group leader will ensure that the parent signs out and adds the early release code if pick up is prior to 6PM. Sign-out sheets will never be left unattended. The supervisor will collect and check the sheets at the end of each program day to make sure they are complete and accurate. If information is missing, it will be corrected at that time. The group leaders and the supervisor will pay close attention to students who consistently leave the program early and will address with parents the need for remaining in the program until 6PM in order to take advantage of everything the program offers.

The following day, the sheets will be turned in to the data entry office at the YMCA at which time they will be reviewed again for accuracy. By having this system of checks and balances, the chance of error will be significantly reduced.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR-ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Findings

Unduplicated Local Control Funding Formula Pupil Counts

2018-001 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of two student on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by two, resulting in no change to the LCFF funding.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column)". In addition, the condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.b: "Select a representative sample, to achieve a high level of assurance, from the students that are only English Learner (EL) eligible as identified under the "ELAS Designation" column".

ANAHEIM UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR-ENDED JUNE 30, 2019

Context, (Continued)

The inaccurately reported eligibility for a total of two student. One of 40 students tested for FRMP was reported inaccurately and one of 40 students tested for EL designation was reported inaccurately. The auditor elected to apply additional procedures for these two groups and selected 20 additional student from each population for testing. No further discrepancies were noted in the two additional sample groups.

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total FRPM eligible pupil by two. The schedule below shows the exceptions:

School Site	Enrollment Count	Certified Total Unduplicated Pupil Count	Unduplicated Pupil Count Adjustment Based on Eligibility for FRPM	Unduplicated Pupil Count Adjustment Based on Eligibility EL Funding	Adjusted Enrollment Count	Adjusted Total Unduplicated Pupil Count
District-Wide	30,729	22,945	(1)	(1)	30,729	22,943

Cause

It appears that the condition identified has materialized as a result of the clerical error.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Current Status

Implemented.



Management
Anaheim Union High School District
Anaheim, California

In planning and performing our audit of the financial statements of Anaheim Union High School District (the District) for the year ended June 30, 2019, 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 9, 2019, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Local Revenue

Observation

Per review of the supporting documents pertaining to the District's local revenues, it was noted that nine of 40 deposits tested were not deposited in a timely manner. Based on our review of sample transmittals selected for testing, it appears that delay in deposits ranged from 15 to 54 days. The delay in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should, at a minimum, make their deposits once a week to minimize the amount of cash on hand. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should try and make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

Observation

While the District is utilizing pre-numbered triplicate receipts, current procedures do not include a reconciliation to ensure that all receipts are accounted for. Under the District's current procedures, monies collected from school sites are compared to the total amounts reported on the school collection reports. However, monies collected are not reconciled to sub-receipts or other source documentation to ensure that sites are submitting all monies and receipts are intact and accounted for sequentially. Reliance is placed on the summary recap of school collection reports. District personnel responsible for reconciling revenue transactions have no way of knowing whether or not they have received all monies for all receipts in a sequence for each site/department.

Recommendation

The District should consider strengthening controls over completeness of receipts by maintaining perpetual logs to ensure that pre-numbered receipts are used sequentially and are wholly accounted for. Any significant variances noted should be investigated further.

Non-Payroll Disbursements – Cafeteria Fund

Observation

It was noted that two of 40 disbursements selected for testing were not supported by a purchase order. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

ASSOCIATED STUDENT BODY (ASB)

South Junior High School

Observations

During our review of the ASB procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that two of ten deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 20 to 28 days from the date of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that one of 12 disbursements tested contained purchases that were delivered to a residential address. These purchases lacked explicit receiving documentation indicating that the district/site had received the items that were purchased. In addition, these purchases may not be for approved items.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Receiving documentation must be reviewed, making sure that the address is a district location and that all goods were received. Items should not be delivered to residential addresses. Should items be delivered to a residential address, additional controls must be in place showing that site administration (other than the purchaser) have verified that all items were taken to the sit.

Brookhurst Junior High School

Observations

During our review of the ASB procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that 17 of 22 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 19 to 69 days from the date of receipt. In addition, four deposits batches in the safe were not logged into the general ledger system. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Receipts are being used out of sequence by the ASB.
3. Based on the review of the disbursement procedures, it was noted that three of seven disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Open purchase orders are being liberally used for ASB disbursements to reimburse advisors. These purchase orders did not identify specific vendors that the ASB would engage in business transactions with. Instead, they were approved for the advisor, who would purchase items directly and seek reimbursement from the ASB. The use of such purchase orders prevents the ASB from identifying deficit spending and prevents the ASB from engaging in the proper pre-approval of transactions.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. The ASB should issue receipts in a numerical order. This will allow the ASB to ensure cash collections are deposited intact.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. The ASB should minimize the use of open purchase orders with high authorization amounts. The ASB should also be cognizant of its operating budget when creating these open purchase orders in order to prevent any instances of deficit spending. Furthermore, all purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. This would allow the ASB to facilitate the pre-approval of disbursement transactions.

Loara High School

Observations

During our review of the ASB procedures, the following was noted:

1. Dual counting of cash remitted to the ASB bookkeeper is not taking place. It appears that the practice of dual counting cash is in place, but it appears that the ASB is generally not following this practice. We noted that the cash count sheet used by the ASB clearly has a field to document the dual counting taking place; however, almost all of the forms reviewed were missing signatures in the field(s).
2. Cash remitted to the ASB bookkeeper is lacking supporting documents. It appears that all cash remitted by clubs/advisors are only accompanied by the ASB "Student Body Deposit" form, which only indicates the currency denominations included in the deposit. No additional records appear to be remitted to the ASB bookkeeper to substantiate the completeness of the cash.
3. The student store's change fund was short by \$13.
4. Based on the review of the disbursement procedures, it was noted that one of the 40 disbursements tested was not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
5. Based on the review of the disbursement procedures, it was noted that one of the 40 disbursements tested contained purchases that were delivered to a residential address. These purchases lacked explicit receiving documentation indicating that the district/site had received the items that were purchased. In addition, these purchases may not be for approved items.
6. Based on the review of the disbursement procedures, it was noted that request for reimbursements for restaurant transactions are not itemized. This practice can potentially lead to the ASB paying for questionable transactions
7. The ASB hosts an annual charitable event called "Winter Wish". The nature of the event requires the ASB to purchase numerous items that are highly susceptible to theft and misappropriation, including gift cards, electronics, and other consumer products. We noted that the ASB generally lacks accountability for the goods given to intended recipients. While we understand that the purchases were made using donations from external sources, certain transactions using these donated funds, including purchase of gift cards, may still be questionable without a board policy allowing such transactions to take place.
8. Revenue potential forms are not consistently being completed for fundraising events or are partially completed. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.
9. A physical inventory is not performed. In addition, a perpetual inventory is not maintained.
10. Ticket rolls are not stored in a secured location.

11. Based on our review of the records, the ASB currently utilizes a form called "Cashier Ticket Sale and Deposit" form to document and reconcile ticket sales activities. We noted that the ASB bookkeeper prepares the beginning ticket sequences for each of the ticket rolls that are expected to be used during the event to facilitate the completion of the form. However, it appears that the forms are not consistently being completed. Specifically, we observed numerous forms where the ending ticket sequences are not documented on the form, which would make sales reconciliation impossible.
12. Per our conversation with the ASB bookkeeper, the ASB currently does not request and/or collect Form W-9 from vendors outside of coaches, referees, and other sports officials.

Recommendations

1. It is recommended that the ASB adhere to their established procedures related to cash count. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the cash count sheet.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. It is recommended that the change fund be solely used for making change. Expenditures should not be made from the change fund under any circumstances. At the conclusion of the school year, the student store should deposit the entire change fund with the ASB bookkeeper.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. Receiving documentation must be reviewed, making sure that the address is a district location and that all goods were received. Items should not be delivered to residential addresses. Should items be delivered to a residential address, additional controls must be in place showing that site administration (other than the purchaser) have verified that all items were taken to the site.
6. The ASB should establish procedures to require itemized receipts to be submitted for reimbursement requests. This will help to alleviate the risks of unallowable expenditures.
7. The ASB should maintain a tracking sheet of all items purchased for the charitable event. To ensure the items are given to the intended recipients, two individuals should review and sign the tracking sheet indicating the items were given to the recipients listed on tracking sheet.

8. The District should require all completed revenue potential forms to be forwarded to a site level administrator to be reviewed. A third-party review of completed revenue potential forms would ensure that the ASB are adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity.
9. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
10. The ticket rolls should be stored in a secured location, such as the ASB safe or a locked cabinet. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission.
11. A Cashier Ticket Sale and Deposit" form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
12. The ASB should collect Form W-9 from all vendors. This will allow the ASB/District to identify if these other vendors are subject to income reporting using Form 1099.

Savanna High School

Observations

During our review of the ASB procedures, the following was noted:

1. Based on the review of the fundraising procedures, it was noted that two of eight fundraising events tested were not preapproved by the ASB and/or the site administration.
2. In reviewing the revenue potential forms, it was noted that all revenue potential forms were not completely filled out. Explanation for differences between budget and actual was not documented. In addition, two of eight revenue potential forms had mathematical errors on them.

Recommendations

1. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.
2. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 9, 2019