

**EL MONTE UNION HIGH SCHOOL
DISTRICT**

**AUDIT REPORT
JUNE 30, 2016**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**EL MONTE UNION HIGH SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
El Monte Union High School District
El Monte, 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 El Monte Union High School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the El Monte Union High School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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 El Monte Union High School District, as of June 30, 2016, and the respective changes in financial position 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Monte Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 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 13, 2016 on our consideration of El Monte Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Monte Union High School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 13, 2016

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

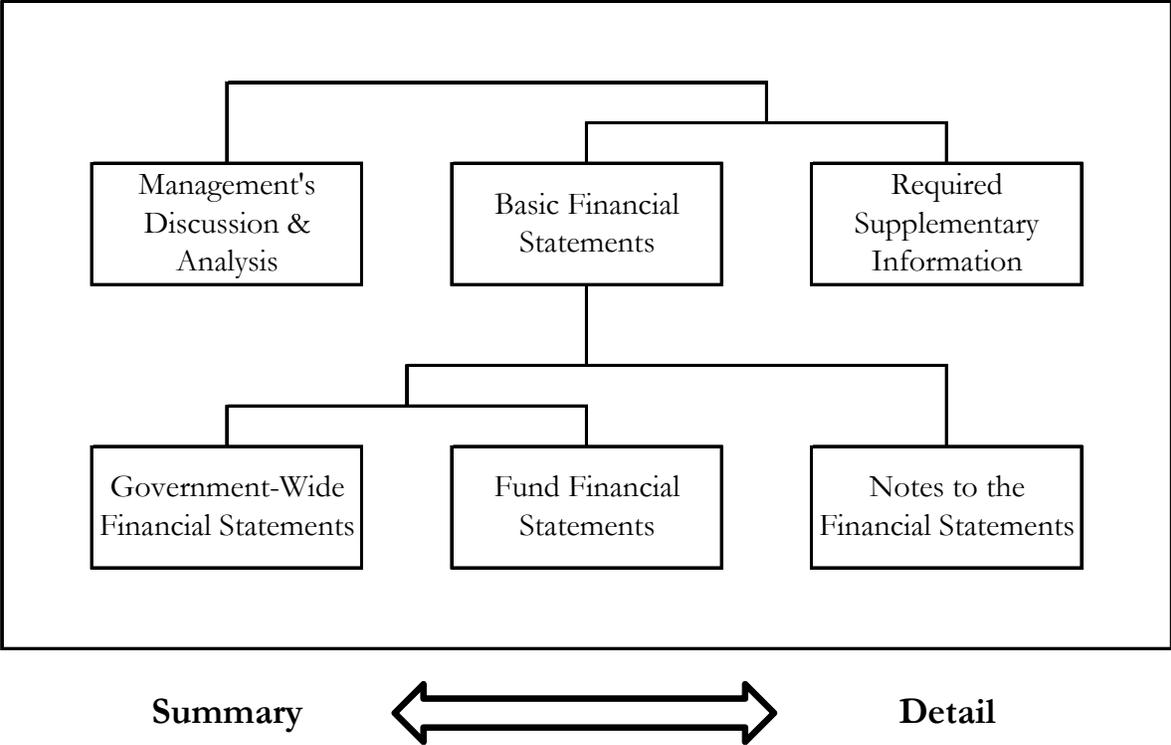
Our discussion and analysis of El Monte Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's total net position was \$25,176,722 at June 30, 2016. This was an increase of \$16,018,810 from the prior year.
- ▶ Overall revenues were \$157,252,387 which was more than expenses of \$141,233,577.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$25,176,722 at June 30, 2016, as reflected in the table below. Of this amount, (\$68,618,740) was unrestricted, primarily due to the implementation of GASB 68. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2016	2015	Net Change
ASSETS			
Current and other assets	\$ 90,247,125	\$ 73,246,478	\$ 17,000,647
Capital assets	205,854,442	207,003,446	(1,149,004)
Total Assets	296,101,567	280,249,924	15,851,643
DEFERRED OUTFLOWS OF RESOURCES	20,699,317	7,312,379	13,386,938
LIABILITIES			
Current liabilities	17,870,071	17,196,047	674,024
Long-term liabilities	263,382,647	240,098,056	23,284,591
Total Liabilities	281,252,718	257,294,103	23,958,615
DEFERRED INFLOWS OF RESOURCES	10,371,444	21,110,188	(10,738,744)
NET POSITION			
Net investment in capital assets	76,073,180	64,871,653	11,201,527
Restricted	17,722,282	19,948,320	(2,226,038)
Unrestricted	(68,618,740)	(75,662,061)	7,043,321
Total Net Position	\$ 25,176,722	\$ 9,157,912	\$ 16,018,810

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2016	2015	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 294,277	\$ 1,894,512	\$ (1,600,235)
Operating grants and contributions	33,107,045	20,889,851	12,217,194
Capital grants and contributions	-	4,160	(4,160)
General revenues			
Property taxes	28,103,611	23,709,192	4,394,419
Unrestricted federal and state aid	90,280,093	83,465,165	6,814,928
Other	5,467,361	3,964,941	1,502,420
Total Revenues	157,252,387	133,927,821	23,324,566
EXPENSES			
Instruction	72,386,634	76,332,399	(3,945,765)
Instruction-related services	14,297,285	13,100,144	1,197,141
Pupil services	18,906,394	17,933,161	973,233
General administration	9,721,281	7,475,595	2,245,686
Plant services	16,239,602	14,691,702	1,547,900
Ancillary and community services	2,757,700	2,240,271	517,429
Debt service	6,699,033	8,719,075	(2,020,042)
Other Outgo	172,420	1,705,012	(1,532,592)
Enterprise activities	53,228	175,637	(122,409)
Total Expenses	141,233,577	142,372,996	(1,139,419)
Change in net position	16,018,810	(8,445,175)	24,463,985
Net Position - Beginning*	9,157,912	17,603,087	(8,445,175)
Net Position - Ending	\$ 25,176,722	\$ 9,157,912	\$ 16,018,810

* Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$141,233,577 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$28,103,611 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the District's functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2016	2015
Instruction	\$ 56,290,425	\$ 65,094,952
Instruction-related services	9,557,023	10,748,066
Pupil services	11,759,460	11,916,771
General administration	8,469,351	6,777,662
Plant services	12,224,184	12,987,440
Ancillary and community services	2,728,408	2,233,414
Debt service	6,699,033	8,719,075
Transfers to other agencies	51,143	931,456
Enterprise activities	53,228	175,637
Total Expenses	\$ 107,832,255	\$ 119,584,473

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$80,501,922, which is more than last year's ending fund balance of \$61,910,460. The District's General Fund had \$15,509,684 more in operating revenues than expenditures for the year ended June 30, 2016. The Adult Education Fund had \$132,120 less in operating revenues than expenditures for the year ended June 30, 2016. The Building Fund had \$3,032,510 less in operating revenues than expenditures for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$205,854,442 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Land	\$ 5,525,600	\$ 5,719,005	\$ (193,405)
Construction in progress	5,350,195	2,218,142	3,132,053
Land improvements	5,137,999	5,137,999	-
Buildings & improvements	262,252,577	260,471,256	1,781,321
Furniture & equipment	21,589,534	21,045,756	543,778
Accumulated depreciation	(94,001,463)	(87,588,712)	(6,412,751)
Total Capital Assets	\$205,854,442	\$207,003,446	\$ (1,149,004)

Long-Term Debt

At year-end, the District had \$263,382,647 in long-term liabilities, an increase of 9.7% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2016	2015	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$165,686,463	\$158,555,788	\$ 7,130,675
Capital leases	1,000,620	1,353,073	(352,453)
Early retirement incentive	-	474,653	(474,653)
Compensated absences	2,564,486	1,252,923	1,311,563
Net OPEB obligation	9,017,685	7,550,507	1,467,178
Net pension liability	92,823,393	75,750,926	17,072,467
Less: current portion of long-term debt	(7,710,000)	(4,839,814)	(2,870,186)
Total Long-term Liabilities	\$263,382,647	\$240,098,056	\$ 23,284,591

**EL MONTE UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Chief Business Official, El Monte Union High School District, 3537 Johnson Avenue, El Monte, California, 91731.

EL MONTE UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 85,213,712
Accounts receivable	4,646,252
Inventory	387,161
Capital assets, not depreciated	10,875,795
Capital assets, net of accumulated depreciation	194,978,647
Total Assets	296,101,567
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	11,796,605
Deferred amount on refunding	8,902,712
Total Deferred Outflows of Resources	20,699,317
LIABILITIES	
Deficit cash	25,053
Accrued liabilities	9,757,323
Unearned revenue	377,695
Long-term liabilities, current portion	7,710,000
Long-term liabilities, non-current portion	263,382,647
Total Liabilities	281,252,718
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	9,546,205
Deferred amount on refunding	825,239
Total Deferred Inflows of Resources	10,371,444
NET POSITION	
Net investment in capital assets	76,073,180
Restricted:	
Capital projects	10,684,339
Debt service	3,407,768
Educational programs	2,618,040
All others	1,012,135
Unrestricted	(68,618,740)
Total Net Position	\$ 25,176,722

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

**EL MONTE UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 72,386,634	\$ 88,273	\$ 16,007,936	\$ (56,290,425)
Instruction-related services				
Instructional supervision and administration	4,817,128	5,415	1,981,951	(2,829,762)
Instructional library, media, and technology	1,139,495	-	31,250	(1,108,245)
School site administration	8,340,662	13,321	2,708,325	(5,619,016)
Pupil services				
Home-to-school transportation	2,088,274	7	10,021	(2,078,246)
Food services	5,601,186	125,184	4,754,668	(721,334)
All other pupil services	11,216,934	19,381	2,237,673	(8,959,880)
General administration				
Centralized data processing	2,467,923	-	261,533	(2,206,390)
All other general administration	7,253,358	9,230	981,167	(6,262,961)
Plant services	16,239,602	22,361	3,993,057	(12,224,184)
Ancillary services	2,757,700	-	29,292	(2,728,408)
Enterprise activities	53,228	-	-	(53,228)
Interest on long-term debt	6,699,033	-	-	(6,699,033)
Other Outgo	172,420	11,105	110,172	(51,143)
Total Governmental Activities	\$ 141,233,577	\$ 294,277	\$ 33,107,045	(107,832,255)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				15,827,108
Property taxes, levied for debt service				11,762,181
Property taxes, levied for other specific purposes				514,322
Federal and state aid not restricted for specific purposes				90,280,093
Interest and investment earnings				400,656
Interagency revenues				335,767
Miscellaneous				4,730,938
Subtotal, General Revenue				123,851,065
CHANGE IN NET POSITION				16,018,810
Net Position - Beginning				9,157,912
Net Position - Ending				\$ 25,176,722

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

**EL MONTE UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 37,358,380	\$ 10,339,361	\$ 20,437,879	\$ 17,078,092	\$ 85,213,712
Accounts receivable	3,077,440	683,350	60,409	825,053	4,646,252
Stores inventory	225,457	149,999	-	11,705	387,161
Total Assets	\$ 40,661,277	\$ 11,172,710	\$ 20,498,288	\$ 17,914,850	\$ 90,247,125
LIABILITIES					
Deficit cash	\$ -	\$ -	\$ -	\$ 25,053	\$ 25,053
Accrued liabilities	8,079,025	533,492	35,512	694,426	9,342,455
Unearned revenue	342,858	-	-	34,837	377,695
Total Liabilities	8,421,883	533,492	35,512	754,316	9,745,203
FUND BALANCES					
Nonspendable	255,457	150,624	-	14,355	420,436
Restricted	2,618,040	-	20,462,776	15,519,110	38,599,926
Committed	-	10,488,594	-	1,627,069	12,115,663
Assigned	16,835,067	-	-	-	16,835,067
Unassigned	12,530,830	-	-	-	12,530,830
Total Fund Balances	32,239,394	10,639,218	20,462,776	17,160,534	80,501,922
Total Liabilities and Fund Balances	\$ 40,661,277	\$ 11,172,710	\$ 20,498,288	\$ 17,914,850	\$ 90,247,125

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

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

Total Fund Balance - Governmental Funds \$ 80,501,922

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 299,855,905	
Accumulated depreciation	<u>(94,001,463)</u>	205,854,442

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

8,077,473

Unmatured interest on long-term debt:

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

(414,868)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 165,686,463	
Capital leases	1,000,620	
Compensated absences	2,564,486	
Net OPEB obligation	9,017,685	
Net pension liability	<u>92,823,393</u>	(271,092,647)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 11,796,605	
Deferred inflows of resources related to pensions	<u>(9,546,205)</u>	2,250,400

Total Net Position - Governmental Activities \$ 25,176,722

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

**EL MONTE UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Adult Education			Non-Major	Total
	General Fund	Fund	Building Fund	Governmental Funds	Governmental Funds
REVENUES					
LCFF sources	\$ 99,341,726	\$ -	\$ -	\$ -	\$ 99,341,726
Federal sources	5,988,724	1,370,937	-	4,597,267	11,956,928
Other state sources	11,783,016	9,059,969	-	469,222	21,312,207
Other local sources	8,102,855	1,287,425	172,516	12,539,158	22,101,954
Total Revenues	125,216,321	11,718,331	172,516	17,605,647	154,712,815
EXPENDITURES					
Current					
Instruction	60,736,751	5,459,667	-	254,563	66,450,981
Instruction-related services					
Instructional supervision and administration	4,720,661	47,768	-	-	4,768,429
Instructional library, media, and technology	1,125,525	-	-	-	1,125,525
School site administration	6,050,015	2,066,994	-	113,449	8,230,458
Pupil services					
Home-to-school transportation	1,868,616	-	-	-	1,868,616
Food services	4,005	-	-	5,554,830	5,558,835
All other pupil services	10,106,949	983,884	-	-	11,090,833
General administration					
Centralized data processing	2,443,521	-	-	-	2,443,521
All other general administration	4,952,716	377,136	-	296,466	5,626,318
Plant services	13,131,008	1,325,478	-	681,419	15,137,905
Facilities acquisition and maintenance	98,713	1,589,524	3,205,026	1,306,050	6,199,313
Ancillary services	2,729,757	-	-	-	2,729,757
Enterprise activities	-	-	-	53,228	53,228
Transfers to other agencies	1,323,289	-	-	-	1,323,289
Debt service					
Principal	352,453	-	-	5,317,136	5,669,589
Interest and other	62,658	-	-	7,548,898	7,611,556
Total Expenditures	109,706,637	11,850,451	3,205,026	21,126,039	145,888,153
Excess (Deficiency) of Revenues					
Over Expenditures	15,509,684	(132,120)	(3,032,510)	(3,520,392)	8,824,662
Other Financing Sources (Uses)					
Transfers in	111	-	9,152,079	4,252,271	13,404,461
Other sources	-	-	5,238,885	123,000,911	128,239,796
Transfers out	(4,210,000)	(42,271)	-	(9,152,190)	(13,404,461)
Other uses	-	-	-	(118,472,996)	(118,472,996)
Net Financing Sources (Uses)	(4,209,889)	(42,271)	14,390,964	(372,004)	9,766,800
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	20,939,599	10,813,609	9,104,322	21,052,930	61,910,460
Fund Balance - Ending	\$ 32,239,394	\$ 10,639,218	\$ 20,462,776	\$ 17,160,534	\$ 80,501,922

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

**EL MONTE UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 18,591,462

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 5,457,152	
Depreciation expense:	<u>(6,412,751)</u>	(955,599)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

115,652,453

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(125,147,566)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

7,231,286

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(193,405)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

605,347

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

**EL MONTE UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2016**

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (2,685,688)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (1,311,563)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods (describe below) were: 474,653

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (1,467,178)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (177,971)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 5,402,579

Change in Net Position of Governmental Activities

\$ 16,018,810

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

EL MONTE UNION HIGH SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	<u>Agency Funds</u>	
	<u>Warrant/Pass- through Fund</u>	<u>Student Body Fund</u>
ASSETS		
Cash and investments	\$ 841,169	\$ 977,699
Accounts receivable	4,075	-
Total Assets	\$ 845,244	\$ 977,699
LIABILITIES		
Accrued liabilities	\$ 845,244	\$ -
Due to student groups	-	977,699
Total Liabilities	\$ 845,244	\$ 977,699

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

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The El Monte Union High School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades 9-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for 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 of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*)

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) 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: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Debt Service Fund: This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. 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. The net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus (*continued*)**

Unearned Revenue

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

Certain grants received that have not met eligibility requirements 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 a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments 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.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost on the weighted average basis and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements	5 to 50 years
Equipment	2 to 15 years

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. 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.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. 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.

H. Budgetary Data

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

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

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 82,152,049	\$ 841,169
Cash on hand and in banks	6,000	977,699
Cash with fiscal agent	3,022,388	-
Cash in revolving fund	33,275	-
Total cash and investments	\$ 85,213,712	\$ 1,818,868

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$83,090,176 and an amortized book value of \$82,993,218. The average weighted maturity for this pool is 608 days.

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were not rated.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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 agencies. 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, 2016, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable 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 Los Angeles 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 at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 83,090,176
Cash with fiscal agent	3,022,388
Total fair market value of investments	<u>\$ 86,112,564</u>

**EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	\$ 1,426,318	\$ 397,639	\$ -	\$ 689,677	\$ 2,513,634	\$ -
State Government						
Categorical aid	354,773	-	-	56,451	411,224	-
Lottery	1,003,210	-	-	-	1,003,210	-
Local Government						
Other local sources	293,139	285,711	60,409	78,925	718,184	4,075
Total	\$ 3,077,440	\$ 683,350	\$ 60,409	\$ 825,053	\$ 4,646,252	\$ 4,075

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,719,005	\$ -	\$ 193,405	\$ 5,525,600
Construction in progress	2,218,142	5,105,312	1,973,259	5,350,195
Total Capital Assets not Being Depreciated	7,937,147	5,105,312	2,166,664	10,875,795
Capital assets being depreciated				
Land improvements	5,137,999	-	-	5,137,999
Buildings & improvements	260,471,256	1,781,321	-	262,252,577
Furniture & equipment	21,045,756	543,778	-	21,589,534
Total Capital Assets Being Depreciated	286,655,011	2,325,099	-	288,980,110
Less Accumulated Depreciation				
Land improvements	3,947,589	144,058	-	4,091,647
Buildings & improvements	69,687,850	6,173,251	-	75,861,101
Furniture & equipment	13,953,273	95,442	-	14,048,715
Total Accumulated Depreciation	87,588,712	6,412,751	-	94,001,463
Governmental Activities				
Capital Assets, net	\$ 207,003,446	\$ 1,017,660	\$ 2,166,664	\$ 205,854,442

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

Governmental Activities	
Instruction	\$ 5,771,476
Home-to-school transportation	192,383
All other general administration	256,510
Plant services	192,382
Total depreciation expense	\$ 6,412,751

**EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>			
	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 4,210,000	\$ 4,210,000
Adult Education Fund	-	-	42,271	42,271
Non-Major Governmental Funds	111	9,152,079	-	9,152,190
Total Interfund Transfers	\$ 111	\$ 9,152,079	\$ 4,252,271	\$ 13,404,461

The General Fund transferred to the Non-Major Deferred Maintenance Fund for deferred maintenance contribution.	\$ 710,000
The General Fund transferred to the Non-Major Special Reserve Fund for Capital Outlay Projects for bus replacement and gym modernization.	3,500,000
The Adult Education Fund transferred to the Non-Major Child Development Fund to cover the costs associated with the Child Development Program.	42,271
The Non-Major Debt Service Fund transferred to the General Fund to close out the fund.	111
The Non-Major County School Facilities Fund transferred to the Building Fund for repayment of expenditures.	9,152,079
Total	\$ 13,404,461

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	<u>Adult Education</u>		<u>Non-Major Governmental</u>		<u>Total Governmental</u>		<u>Total Fiduciary</u>
	<u>General Fund</u>	<u>Fund</u>	<u>Building Fund</u>	<u>Funds</u>	<u>District-Wide</u>	<u>Activities</u>	
Payroll	\$ 1,554,155	\$ 157,254	\$ 5,776	\$ 84,105	\$ -	\$ 1,801,290	\$ -
Construction	-	-	29,736	446,925	-	476,661	-
Vendors payable	4,861,138	376,238	-	163,396	-	5,400,772	845,244
Unmatured interest	-	-	-	-	414,868	414,868	-
Apportionment	1,663,732	-	-	-	-	1,663,732	-
Total	\$ 8,079,025	\$ 533,492	\$ 35,512	\$ 694,426	\$ 414,868	\$ 9,757,323	\$ 845,244

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 14,502	\$ -	\$ 14,502
State categorical sources	328,356	-	328,356
Local sources	-	34,837	34,837
Total	\$ 342,858	\$ 34,837	\$ 377,695

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 150,864,345	\$ 113,440,688	\$ 115,300,000	\$ 149,005,033	\$ 6,592,626
Unamortized premium	7,691,443	14,392,566	5,402,579	16,681,430	745,572
Total general obligation bonds	158,555,788	127,833,254	120,702,579	165,686,463	7,338,198
Capital leases	1,353,073	-	352,453	1,000,620	371,802
Early retirement incentive	474,653	-	474,653	-	-
Compensated absences	1,252,923	1,311,563	-	2,564,486	-
Net OPEB obligation	7,550,507	1,467,178	-	9,017,685	-
Net pension liability	75,750,926	17,072,467	-	92,823,393	-
Total	\$ 244,937,870	\$ 147,684,462	\$ 121,529,685	\$ 271,092,647	\$ 7,710,000

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds

The outstanding general obligation bonds are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
Election 2002, Series A	May 29, 2003	June 1, 2028	2.50% - 5.00%	\$25,000,000	\$ 1,105,000	\$ -	\$ 1,105,000	\$ -
2006 Refunding	May 31, 2006	June 1, 2021	3.89% - 5.25%	38,929,927	34,344,378	365,622	34,710,000	-
Election 2002, Series C	February 14, 2008	June 1, 2032	2.40% - 5.00%	29,997,257	26,815,000	-	26,815,000	-
Election 2008, Series A	June 2, 2009	June 1, 2034	4.75% - 9.50%	54,001,305	53,497,154	384,885	50,500,000	3,382,039
Election 2008, Series B	August 9, 2012	June 1, 2042	1.68% - 7.00%	30,337,787	35,102,813	1,935,181	40,000	36,997,994
2015 Refunding	September 2, 2015	June 1, 2032	2.00% - 5.25%	27,195,000	-	27,195,000	670,000	26,525,000
2016 Refunding - Delayed Delivery	March 4, 2016	June 1, 2021	3.00% - 5.00%	28,755,000	-	28,755,000	440,000	28,315,000
Election 2008, Series C	March 16, 2016	June 1, 2022	2.00% - 4.00%	5,260,000	-	5,260,000	-	5,260,000
2016 Refunding	March 16, 2016	June 1, 2034	2.00% - 5.00%	49,545,000	-	49,545,000	1,020,000	48,525,000
					\$ 150,864,345	\$ 113,440,688	\$ 115,300,000	\$ 149,005,033

Election of 2002, Series A

On June 24, 2003, the District issued \$25,000,000 of Series A General Obligation Bonds. The bonds mature beginning on June 1, 2004, through June 1, 2028, with interest yields ranging from 2.50 to 5.00 percent. The Series A General Obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities and refunding the outstanding balance of the 1997 Certificates of Participation, 2001 Certificates of Participation, and 2002 Certificates of Participation. The District received net proceeds of \$25,230,135 (including a premium of \$1,163,515, deferred amounts on refunding of \$426,991, and payment of \$506,389 for issuance costs). At June 30, 2016, the Series A General Obligation Bonds were paid in full.

2006 General Obligation Refunding Bonds

On June 27, 2006, the District issued \$38,929,927 in General Obligation Refunding Bonds, with interest rates ranging from 3.89 to 5.25 percent, to finance the construction and renovation of school facilities, to advance refund \$11,995,000 of outstanding 2002 Series A General Obligation Bonds, and to advance refund \$25,055,000 of outstanding 2002 Series B General Obligation Bonds. The 2006 General Obligation Refunding Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$7,695,073, and an aggregate principal debt service balance of \$46,625,000 and have a final maturity date of June 1, 2021. The District received net proceeds of \$43,680,001 (including a premium of \$5,426,259 deferred amounts on refunding of \$1,878,802, and a payment of \$676,185 in underwriter fees, insurance, and other issuance costs). At June 30, 2016, the 2006 General Obligation Refunding Bonds were paid in full.

Election of 2002, Series C

On February 27, 2008, the District issued \$29,997,257 of Series C General Obligation Bonds. The bonds mature beginning on June 1, 2009, through June 1, 2032, with interest yields ranging from 2.40 to 4.53 percent. The series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$22,743, and an aggregate principal debt service balance of \$30,020,000. The Series C General Obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$31,182,257 (including a premium of \$1,834,920 and payment of \$649,920 for issuance costs). At June 30, 2016, the Series C General Obligation Bonds were paid in full.

**EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election of 2008, Series A

On June 16, 2009, the District issued \$54,001,305 of Series A General Obligation Bonds. The bonds mature beginning on June 1, 2011, through June 1, 2034, with interest yields ranging from 2.51 to 5.42 percent. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,593,695, and an aggregate principal debt service balance of \$57,595,000. The Series A General Obligation bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$55,094,350 (including a premium of \$2,503,000 and payment of \$1,409,955 for issuance costs). At June 30, 2016, the Series A General Obligation Bonds principal balance outstanding was \$3,382,039 and unamortized premium was \$1,877,250.

Election of 2008, Series B

On August 22, 2012, the District issued \$30,337,786 of Series B General Obligation Bonds, with interest rates ranging from 1.68 to 7.00 percent, to pay off \$30,200,000 of outstanding 2011 Bond Anticipation Notes. The bonds mature beginning on June 1, 2013, through June 1, 2042. The Series B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$85,502,044 and an aggregate principal debt service balance of \$115,839,830. The District received net proceeds of \$31,435,667 (including a premium of \$1,789,819 and payment of \$691,938 for issuance costs). At June 30, 2016, the Series B General Obligation Bonds principal balance outstanding was \$36,997,994 and unamortized premium was \$1,542,947.

2015 General Obligation Refunding Bonds

On September 2, 2015, the District issued \$27,195,000 in 2015 General Obligation Refunding Bonds, with interest rates ranging from 2.00 to 5.25 percent, to currently refund the District's outstanding Election of 2002, Series A General Obligation Bonds, advance refund a portion of the District's outstanding Election of 2002, Series C General Obligation Bonds, and pay the costs of issuance of the 2015 bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity date of June 1, 2032. The District received net proceeds of \$30,699,885 (including a premium of \$3,504,885 and a payment of \$230,650 in underwriter fees, insurance, and other issuance costs).

The net proceeds received for the 2015 General Obligation Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the Election of 2002, Series A General Obligation Bonds that were currently refunded and future debt service payments on the Election of 2002, Series C General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred outflows on refunding of \$1,537,795 remain to be amortized. This refunding reduced total debt service payments by \$3,395,588 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,461,338. At June 30, 2016, the 2015 General Obligation Refunding Bonds principal balance outstanding was \$26,525,000 and unamortized premium was \$3,298,715.

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2016 General Obligation Refunding Bonds – Delayed Delivery

On March 4, 2016, the District issued \$28,755,000 in 2016 General Obligation Refunding Bonds – Delayed Delivery, with interest rates ranging from 3.00 to 5.00 percent, to currently refund the District's outstanding 2006 General Obligation Refunding Bonds and pay the costs of issuance of the 2016 bonds. The 2016 General Obligation Refunding Bonds - Delayed Delivery were issued as current interest bonds and have a final maturity date of June 1, 2021. The District received net proceeds of \$31,388,265 (including a premium of \$2,633,265 and a payment of \$239,421 in underwriter fees, insurance, and other issuance costs).

The net proceeds received for the 2016 General Obligation Refunding Bonds – Delayed Delivery were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 2006 General Obligation Refunding Bonds that were currently refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred inflows on refunding of \$825,239 remain to be amortized. This refunding reduced total debt service payments by \$3,322,181 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,970,446. At June 30, 2016, the 2016 General Obligation Refunding Bonds – Delayed Delivery principal balance outstanding was \$28,315,000 and unamortized premium was \$2,194,387.

Election of 2008, Series C

On March 16, 2016, the District issued \$5,260,000 of Election of 2008, Series C General Obligation Bonds, with interest rates ranging from 2.00 to 4.00 percent, to finance the renovation, construction, and improvement of school facilities. The bonds mature beginning on June 1, 2017, through June 1, 2022. The Series C bonds were issued as current interest bonds. The District received net proceeds of \$5,834,591 (including a premium of \$574,591 and payment of \$60,481 for issuance costs). At June 30, 2016, the Series C General Obligation Bonds principal balance outstanding was \$5,260,000 and unamortized premium was \$492,507.

2016 General Obligation Refunding Bonds

On March 16, 2016, the District issued \$49,545,000 in 2016 General Obligation Refunding Bonds, with interest rates ranging from 2.00 to 5.00 percent, to advance refund the District's outstanding a portion of the Election of 2008, Series A General Obligation Bonds and pay the costs of issuance of the 2016 bonds. The 2016 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity date of June 1, 2034. The District received net proceeds of \$57,224,825 (including a premium of \$7,679,825 and a payment of \$369,908 in underwriter fees, insurance, and other issuance costs).

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2016 General Obligation Refunding Bonds, continued

The net proceeds received for the 2016 General Obligation Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the Election of 2008, Series A General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred inflows on refunding of \$7,364,917 remain to be amortized. This refunding reduced total debt service payments by \$9,812,075 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6,527,937. At June 30, 2016, the 2016 General Obligation Refunding Bonds principal balance outstanding was \$48,525,000 and unamortized premium was \$7,275,624.

The general obligation bonds mature through 2042 as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 6,592,626	\$ 689,218	\$ 7,281,844
2018	7,085,953	845,891	7,931,844
2019	7,634,751	1,022,093	8,656,844
2020	9,190,459	131,385	9,321,844
2021	7,630,216	181,628	7,811,844
2022 - 2026	24,714,602	2,209,617	26,924,219
2027 - 2031	36,131,002	5,923,217	42,054,219
2032 - 2036	27,024,172	20,484,516	47,508,688
2037 - 2041	12,133,983	46,440,847	58,574,830
2042	2,501,697	11,028,303	13,530,000
Accretion	8,365,572	(8,365,572)	-
Total	\$ 149,005,033	\$ 80,591,143	\$ 229,596,176

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

B. Capital Lease Obligation

The District has entered into various capital lease agreements for photocopiers. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2017	\$ 416,542
2018	416,542
2019	240,686
Total minimum lease payments	1,073,770
Less amount representing interest	(73,150)
Present value of minimum lease payments	<u>\$ 1,000,620</u>

C. Early Retirement Incentive

During the 2008-2009 and 2009-2010 school years, the District adopted a supplemental early retirement plan whereby certain eligible 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 annuities offered to the employees are to be paid over a five-year period. The annuities for 62 employees who retired during the 2008-2009 school year and 26 employees who retired during the 2010-2011 school year were purchased through the Pacific Life Insurance Company. As of June 30, 2016, the early retirement incentive was paid in full.

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$2,564,486. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2016, was \$2,211,127 and contributions made by the District during the year were \$609,323. Interest and other adjustments on the net OPEB obligation were (\$134,626), which resulted in a net increase to the net OPEB obligation of \$1,467,178. As of June 30, 2016, the net OPEB obligation was \$9,017,685. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

F. Net Pension Liability

The District's beginning net pension liability was \$75,750,926 and increased by \$17,072,467 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$92,823,393. See Note 11 for additional information regarding the net pension liability.

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	Adult Education		Building Fund	Non-Major	Total
	General Fund	Fund		Governmental	Governmental
				Funds	Funds
Non-spendable					
Revolving cash	\$ 30,000	\$ 625	\$ -	\$ 2,650	\$ 33,275
Stores inventory	225,457	149,999	-	11,705	387,161
Total non-spendable	255,457	150,624	-	14,355	420,436
Restricted					
Educational programs	2,618,040	-	-	-	2,618,040
Capital projects	-	-	20,462,776	10,684,339	31,147,115
Debt service	-	-	-	3,822,636	3,822,636
All others	-	-	-	1,012,135	1,012,135
Total restricted	2,618,040	-	20,462,776	15,519,110	38,599,926
Committed					
Adult education	-	10,488,594	-	-	10,488,594
Deferred maintenance	-	-	-	1,627,069	1,627,069
Total committed	-	10,488,594	-	1,627,069	12,115,663
Assigned					
Other assignments	14,004,860	-	-	-	14,004,860
Postemployment benefits	2,830,207	-	-	-	2,830,207
Total assigned	16,835,067	-	-	-	16,835,067
Unassigned					
Reserve for economic uncertainties	12,530,830	-	-	-	12,530,830
Total unassigned	12,530,830	-	-	-	12,530,830
Total	\$ 32,239,394	\$ 10,639,218	\$ 20,462,776	\$ 17,160,534	\$ 80,501,922

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single employer defined benefit healthcare plan administered by El Monte Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 77 retirees and beneficiaries currently receiving benefits and 982 active plan members as of the July 1, 2014 actuarial study.

Contribution information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. Currently, the District finances its OPEB contributions using a pay-as-you-go method. The required Contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$609,323 to the plan, all of which was used for current premium payments.

A. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	2,211,127
Interest on net OPEB obligation		302,020
Adjustment to annual required contribution		(436,646)
Annual OPEB cost (expense)		<u>2,076,501</u>
Contributions made		<u>(609,323)</u>
Increase (decrease) in net OPEB obligation		1,467,178
Net OPEB obligation, beginning of the year		<u>7,550,507</u>
Net OPEB obligation, end of the year	\$	<u>9,017,685</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 2,076,501	29%	\$ 9,017,685
2015	\$ 2,102,728	30%	\$ 7,550,507
2014	\$ 1,913,073	34%	\$ 6,079,532

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 18,497,553	\$ 18,497,553	0%	\$ 70,713,841	26%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

C. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 30 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 67,293,511	\$ 6,682,616	\$ 6,610,006	\$ 5,427,585
PERS Pension	25,529,882	5,113,989	2,936,199	2,605,941
Total	\$ 92,823,393	\$ 11,796,605	\$ 9,546,205	\$ 8,033,526

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

**EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016**

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$5,384,620 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,115,422 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, 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:

District's proportionate share of the net pension liability	\$ 67,293,511
State's proportionate share of the net pension liability associated with the District	35,590,753
Total	\$ 102,884,264

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.100 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$5,427,585. In addition, the District recognized pension expense and revenue of \$2,756,169 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 5,485,515
Differences between expected and actual experience	-	1,124,491
Changes in proportion and differences between District contributions and proportionate share of contributions	1,297,996	-
District contributions subsequent to the measurement date	5,384,620	-
	<u>\$ 6,682,616</u>	<u>\$ 6,610,006</u>

The \$5,384,620 reported as 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 216,333	\$ 1,558,794
2018	216,333	1,558,794
2019	216,333	1,558,794
2020	216,333	1,558,794
2021	216,333	187,415
2022	216,333	187,415
	<u>\$ 1,297,996</u>	<u>\$ 6,610,006</u>

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 101,607,964	\$ 67,293,511	\$ 38,775,432

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$2,470,935 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$25,529,882 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.173 percent, which was an increase of 0.010 percent from its proportion measured as of June 30, 2014.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,605,941. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 874,165
Differences between expected and actual experience	1,459,070	-
Changes in assumptions	-	1,568,627
Changes in proportion and differences between District contributions and proportionate share of contributions	1,183,984	493,407
District contributions subsequent to the measurement date	2,470,935	-
	<u>\$ 5,113,989</u>	<u>\$ 2,936,199</u>

The \$2,470,935 reported as 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 911,398	\$ 923,916
2018	911,398	923,916
2019	820,258	869,826
2020	-	218,541
	<u>\$ 2,643,054</u>	<u>\$ 2,936,199</u>

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period
 ** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 41,552,010	\$ 25,529,882	\$ 12,206,412

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. 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, 2016.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

C. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of \$34,169,203.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of MERGE. The District pays an annual premium to the entity for its workers' compensation, property liability, and excess liability coverage. MERGE obtains excess liability coverage for its members through SELF (School Excess Liability Fund). The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the identified entity.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflows/inflows of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflows/inflows of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2016, the deferred outflows on refunding was \$8,902,712 and the deferred inflows on refunding was \$825,239.

NOTE 15 – RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. The District purchases commercial insurance for employee medical benefit programs in addition to participating in the Southern California Schools Voluntary Employee Benefits Association (SCSVEBA), a tax exempt voluntary employees benefit trust. The District participates in the Merge Risk Management Public Entity Risk Pool (MERGE) for workers' compensation and property and liability claims. Excess property and liability coverage is obtained through participation in Schools Excess Liability Fund (SELF). The participation in the public entity risk pools represents a transfer of risk to the pool. The District's share of assets, liabilities or fund equities has not been calculated. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2016, there was no information available indicating that the District had an outstanding obligation for any calculated deficits.

There have been no significant reductions in insurance coverage associated with the District's insurance programs. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**EL MONTE UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 99,498,350	\$ 98,867,462	\$ 99,341,726	\$ 474,264
Federal sources	5,730,782	6,565,168	5,988,724	(576,444)
Other state sources	8,516,303	8,712,192	11,783,016	3,070,824
Other local sources	8,525,386	7,865,521	8,080,717	215,196
Total Revenues	122,270,821	122,010,343	125,194,183	3,183,840
EXPENDITURES				
Certificated salaries	44,637,651	43,918,264	47,548,810	(3,630,546)
Classified salaries	19,159,413	16,866,754	18,672,828	(1,806,074)
Employee benefits	19,978,733	20,277,919	23,950,898	(3,672,979)
Books and supplies	8,377,645	12,057,044	5,846,807	6,210,237
Services and other operating expenditures	14,729,841	21,135,974	12,199,649	8,936,325
Capital outlay	301,151	256,714	410,732	(154,018)
Other outgo				
Excluding transfers of indirect costs	2,116,108	1,721,778	1,738,400	(16,622)
Transfers of indirect costs	(927,609)	(776,404)	(661,487)	(114,917)
Total Expenditures	108,372,933	115,458,043	109,706,637	5,751,406
Excess (Deficiency) of Revenues Over Expenditures	13,897,888	6,552,300	15,487,546	8,935,246
Other Financing Sources (Uses)				
Transfers in	-	111	111	-
Transfers out	(8,590,000)	(4,210,000)	(4,210,000)	-
Net Financing Sources (Uses)	(8,590,000)	(4,209,889)	(4,209,889)	-
NET CHANGE IN FUND BALANCE	5,307,888	2,342,411	11,277,657	8,935,246
Fund Balance - Beginning	18,131,530	18,131,530	18,131,530	-
Fund Balance - Ending	\$ 23,439,418	\$ 20,473,941	\$ 29,409,187	\$ 8,935,246

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**EL MONTE UNION HIGH SCHOOL DISTRICT
ADULT EDUCATION FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 1,647,720	\$ 1,331,999	\$ 1,370,937	\$ 38,938
Other state sources	-	8,754,148	9,059,969	305,821
Other local sources	206,600	1,190,465	1,287,425	96,960
Total Revenues	1,854,320	11,276,612	11,718,331	441,719
EXPENDITURES				
Certificated salaries	4,521,150	4,638,577	4,664,621	(26,044)
Classified salaries	2,093,672	1,963,601	2,061,953	(98,352)
Employee benefits	1,936,295	1,827,182	2,066,456	(239,274)
Books and supplies	712,238	710,381	352,682	357,699
Services and other operating expenditures	1,292,294	1,398,871	696,539	702,332
Capital outlay	1,786,453	1,746,987	1,631,064	115,923
Other outgo				
Transfers of indirect costs	647,609	477,589	377,136	100,453
Total Expenditures	12,989,711	12,763,188	11,850,451	912,737
Excess (Deficiency) of Revenues Over Expenditures	(11,135,391)	(1,486,576)	(132,120)	1,354,456
Other Financing Sources (Uses):				
Transfers in	7,880,000	-	-	-
Transfers out	-	(41,745)	(42,271)	(526)
Net Financing Sources (Uses)	7,880,000	(41,745)	(42,271)	(526)
NET CHANGE IN FUND BALANCE	(3,255,391)	(1,528,321)	(174,391)	1,353,930
Fund Balance - Beginning	10,813,609	10,813,609	10,813,609	-
Fund Balance - Ending	\$ 7,558,218	\$ 9,285,288	\$ 10,639,218	\$ 1,353,930

See accompanying note to required supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 18,497,553	\$ 18,497,553	0%	\$ 70,713,841	26%
July 1, 2012	\$ -	\$ 17,103,342	\$ 17,103,342	0%	\$ 73,785,892	23%
July 1, 2010	\$ -	\$ 16,803,652	\$ 16,803,652	0%	\$ 67,096,590	25%

See accompanying note to required supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.100%	0.098%
District's proportionate share of the net pension liability	\$ 67,293,511	\$ 57,275,854
States's proportionate share of the net pension liability associated with the District	35,590,753	34,585,634
Total	<u>\$ 102,884,264</u>	<u>\$ 91,861,488</u>
District's covered-employee payroll	\$ 50,182,852	\$ 47,701,755
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.1%	120.1%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 CALPERS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.173%	0.163%
District's proportionate share of the net pension liability	\$ 25,529,882	\$ 18,475,072
District's covered-employee payroll	\$ 20,857,052	\$ 19,223,162
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.4%	96.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,384,620	\$ 4,201,988
Contributions in relation to the contractually required contribution*	(5,384,620)	(4,201,988)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 50,182,852	\$ 47,701,755
Contributions as a percentage of covered-employee payroll	10.73%	8.81%

*Amounts do not include on behalf contributions

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,470,935	\$ 2,264,104
Contributions in relation to the contractually required contribution	(2,470,935)	(2,264,104)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,857,052	\$ 19,223,162
Contributions as a percentage of covered-employee payroll	11.85%	11.78%

See accompanying note to required supplementary information.

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred the following excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 43,918,264	\$ 47,548,810	\$ 3,630,546
Classified salaries	\$ 16,866,754	\$ 18,672,828	\$ 1,806,074
Employee benefits	\$ 20,277,919	\$ 23,950,898	\$ 3,672,979
Capital outlay	\$ 256,714	\$ 410,732	\$ 154,018
Other outgo			
Excluding transfers of indirect costs	\$ 1,721,778	\$ 1,738,400	\$ 16,622
Transfers of indirect costs	\$ (776,404)	\$ (661,487)	\$ 114,917
Adult Education Fund			
Certificated salaries	\$ 4,638,577	\$ 4,664,621	\$ 26,044
Classified salaries	\$ 1,963,601	\$ 2,061,953	\$ 98,352
Employee benefits	\$ 1,827,182	\$ 2,066,456	\$ 239,274

**SUPPLEMENTARY
INFORMATION**

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 3,218,889
Title I, Part C, Migrant Education			
Title I, Part C, Migrant Education	84.011	14326	19,255
Title I, Part C, Migrant Education Summer Program	84.011	10005	5,315
Subtotal Title I, Part C, Migrant Education			<u>24,570</u>
Title II, Part A, Teacher Quality	84.367	14341	516,430
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	232,827
Title III, Immigrant Education Program	84.365	15146	29,125
Subtotal Title III			<u>261,952</u>
Adult Education			
Adult Basic Education & ESL (Section 231)	84.002A	14508	885,015
Adult Secondary Education (Section 231)	84.002	13978	315,198
English Literacy & Civics Education - Local Grant	84.002A	14109	8,270
Subtotal Adult Education			<u>323,468</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,501,776
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	100,809
Subtotal Special Education Cluster			<u>1,602,585</u>
Carl D. Perkins Career and Technical Education			
Secondary, Section 131 (Vocational Education)	84.048	14894	346,808
Adult, Section 132 (Vocational Education)	84.048	14893	162,454
Subtotal Carl D. Perkins Career and Technical Education			<u>509,262</u>
Total U. S. Department of Education			<u><u>7,342,171</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13390	945,146
National School Lunch Program	10.555	13391	3,253,503
Meal Supplements	10.555	*	16,834
USDA Commodities	10.555	*	347,821
Subtotal Child Nutrition Cluster			<u>4,563,304</u>
NSLP Equipment Assistance Grants	10.579	14906	33,963
Total U. S. Department of Agriculture			<u><u>4,597,267</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	14,059
Total U. S. Department of Health & Human Services			<u>14,059</u>
Total Federal Expenditures			<u><u>\$ 11,953,497</u></u>

* - Pass-Through Entity Identifying Number not available or not applicable

**EL MONTE UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	8,644.37	8,548.95
Extended Year Special Education	56.02	56.02
Special Education - Nonpublic Schools	52.88	38.37
Extended Year Special Education - Nonpublic Schools	4.04	4.52
Community Day School	31.10	32.61
Total Ninth through Twelfth	8,788.41	8,680.47
TOTAL SCHOOL DISTRICT	8,788.41	8,680.47

**EL MONTE UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16		Status
		Actual Minutes	Number of Days	
Grade 9	64,800	64,922	180	Complied
Grade 10	64,800	64,922	180	Complied
Grade 11	64,800	64,922	180	Complied
Grade 12	64,800	64,922	180	Complied

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 126,449,381	\$ 125,194,294	\$ 110,501,748	\$ 106,216,295
Expenditures And Other Financing Uses	123,132,388	113,916,637	108,645,100	101,781,152
Net change in Fund Balance	\$ 3,316,993	\$ 11,277,657	\$ 1,856,648	\$ 4,435,143
Ending Fund Balance	\$ 32,726,180	\$ 29,409,187	\$ 18,131,530	\$ 16,274,882
Available Reserves*	\$ 13,544,563	\$ 12,530,830	\$ 11,007,801	\$ 12,690,437
Available Reserves As A Percentage Of Outgo	11.00%	11.00%	10.13%	12.47%
Long-term Debt	\$ 263,382,647	\$ 271,092,647	\$ 244,937,870	\$ 171,965,363
Average Daily Attendance At P-2	8,497	8,788	9,005	9,136

The General Fund balance has increased by \$13,134,305 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$3,316,993. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$99,127,284 over the past two years.

Average daily attendance has decreased by 348 ADA over the past two years. Additional decline of 291 ADA is anticipated during the 2016-17 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

- The amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**EL MONTE UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2016, annual financial and budget report fund balance	\$ 29,409,187	\$ 2,830,207
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	2,830,207	(2,830,207)
Net adjustments and reclassifications	2,830,207	(2,830,207)
June 30, 2016, audited financial statement fund balance	<u>\$ 32,239,394</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
ASSETS									
Cash and investments	\$ -	\$ 470,818	\$ 1,670,047	\$ 2,815,422	\$ -	\$ 8,299,169	\$ 3,822,636	\$ -	\$ 17,078,092
Accounts receivable	30,096	772,778	5,506	8,732	-	7,941	-	-	825,053
Stores inventory	-	11,705	-	-	-	-	-	-	11,705
Total Assets	\$ 30,096	\$ 1,255,301	\$ 1,675,553	\$ 2,824,154	\$ -	\$ 8,307,110	\$ 3,822,636	\$ -	\$ 17,914,850
LIABILITIES									
Deficit cash	\$ 25,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,053
Accrued liabilities	5,043	193,974	48,484	69,002	-	377,923	-	-	694,426
Unearned revenue	-	34,837	-	-	-	-	-	-	34,837
Total Liabilities	30,096	228,811	48,484	69,002	-	377,923	-	-	754,316
FUND BALANCES									
Non-spendable	-	14,355	-	-	-	-	-	-	14,355
Restricted	-	1,012,135	-	2,755,152	-	7,929,187	3,822,636	-	15,519,110
Committed	-	-	1,627,069	-	-	-	-	-	1,627,069
Total Fund Balances	-	1,026,490	1,627,069	2,755,152	-	7,929,187	3,822,636	-	17,160,534
Total Liabilities and Fund Balance	\$ 30,096	\$ 1,255,301	\$ 1,675,553	\$ 2,824,154	\$ -	\$ 8,307,110	\$ 3,822,636	\$ -	\$ 17,914,850

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
REVENUES									
Federal sources	\$ -	\$ 4,597,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,597,267
Other state sources	-	371,465	-	-	-	-	97,757	-	469,222
Other local sources	299,685	217,974	14,061	302,053	-	9,540	11,695,845	-	12,539,158
Total Revenues	299,685	5,186,706	14,061	302,053	-	9,540	11,793,602	-	17,605,647
EXPENDITURES									
Current									
Instruction	254,563	-	-	-	-	-	-	-	254,563
Instruction-related services									
School site administration	113,449	-	-	-	-	-	-	-	113,449
Pupil services									
Food services	-	5,554,830	-	-	-	-	-	-	5,554,830
General administration									
All other general administration	18,805	265,546	-	12,115	-	-	-	-	296,466
Plant services	-	-	615,135	-	-	66,284	-	-	681,419
Facilities acquisition and maintenance	-	-	10,922	317,994	-	977,134	-	-	1,306,050
Enterprise activities	-	53,228	-	-	-	-	-	-	53,228
Debt service									
Principal	-	-	-	-	-	-	5,317,136	-	5,317,136
Interest and other	-	-	-	-	-	-	7,548,898	-	7,548,898
Total Expenditures	386,817	5,873,604	626,057	330,109	-	1,043,418	12,866,034	-	21,126,039
Excess (Deficiency) of Revenues									
Over Expenditures	(87,132)	(686,898)	(611,996)	(28,056)	-	(1,033,878)	(1,072,432)	-	(3,520,392)
Other Financing Sources (Uses)									
Transfers in	42,271	-	710,000	-	-	3,500,000	-	-	4,252,271
Other sources	-	-	-	-	-	3,092,230	119,908,681	-	123,000,911
Transfers out	-	-	-	-	(9,152,079)	-	-	(111)	(9,152,190)
Other uses	-	-	-	-	-	-	(118,472,996)	-	(118,472,996)
Net Financing Sources (Uses)	42,271	-	710,000	-	(9,152,079)	6,592,230	1,435,685	(111)	(372,004)
NET CHANGE IN FUND BALANCE	(44,861)	(686,898)	98,004	(28,056)	(9,152,079)	5,558,352	363,253	(111)	(3,892,396)
Fund Balance - Beginning	44,861	1,713,388	1,529,065	2,783,208	9,152,079	2,370,835	3,459,383	111	21,052,930
Fund Balance - Ending	\$ -	\$ 1,026,490	\$ 1,627,069	\$ 2,755,152	\$ -	\$ 7,929,187	\$ 3,822,636	\$ -	\$ 17,160,534

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

The El Monte Union High School District was established in 1901 and serves the communities of El Monte, South El Monte, and Rosemead. There were no changes in the boundaries of the District during the current year. The District is operating five comprehensive high schools, one continuation high school, an independent study program, a community day school, and an adult education program.

GOVERNING BOARD

Member	Office	Term Expires
Esthela Torres de Siegrist	President	2017
Carlos G. Salcedo	Vice President	2019
Maria Morgan	Clerk	2019
Ricardo Padilla	Member	2017
Maria Elena Talamantes	Member	2017

DISTRICT ADMINISTRATORS

Dr. Irella S. Perez
Superintendent and Secretary to the Board

Cynthia Shieh
Chief Business Official

Dr. Sergio Flores
Assistant Superintendent, Educational Services

Edward Zuniga
Assistant Superintendent, Personnel

EL MONTE UNION HIGH SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2016

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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 11,956,928
Medi-Cal Billing Option	93.778	6,359
Medi-Cal Administrative Activities	93.778	(9,790)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$11,953,497</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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 46208*. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

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.

EL MONTE UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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.

**OTHER INDEPENDENT
AUDITORS' 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 GOVERNMENT AUDITING
STANDARDS

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
El Monte Union High School District
El Monte, 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 El Monte Union High School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the El Monte Union High School District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 13, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
El Monte Union High School District
El Monte, California

Report on Compliance for Each Major Federal Program

We have audited El Monte Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Monte Union High School District's major federal programs for the year ended June 30, 2016. El Monte Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of El Monte 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 El Monte Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 El Monte Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, El Monte Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of El Monte 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 El Monte 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 El Monte Union High School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 13, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
El Monte Union High School District
El Monte, California

Report on State Compliance

We have audited El Monte Union High School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of El Monte Union High School District's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of El Monte Union High School District's state 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 *2015-16 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about El Monte 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 with the requirements referred to above. However, our audit does not provide a legal determination of El Monte Union High School District's compliance with those requirements.

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Opinion on State Compliance

In our opinion, El Monte Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2016-1. Our opinion on state compliance is not modified with respect to these matters.

El Monte Union High School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. El Monte Union High School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Continued on to next page

Continued from previous page

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because ADA was not material for the year ended June 30, 2016.

Christy White Associates

San Diego, California
December 13, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**EL MONTE UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</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>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**EL MONTE UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2016.

EL MONTE UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

The District had no federal award findings or questioned costs for the year ended June 30, 2016.

**EL MONTE UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 5 of 120 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as Free or Reduced Price Meal eligible (FRPM) did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population (4,079 students), 170 students were identified as ineligible.

Effect: The District is not in compliance with State requirements.

Cause: The students with errors were selected for National School Lunch Program Verification by the District, while the student was properly reclassified as Denied in the Child Nutrition System; the student was not reclassified in the CALPADS system.

Context: 170 of 25,707 (8,309 for 2015-16, 8,686 for 2014-15, and 8,686 for 2013-14) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

EL MONTE UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)

Questioned Costs: \$175,966, calculated as follows:

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	28,144	27,938
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	25,775	25,707
3	Number of Unduplicated Pupil Count audit adjustment		(170)
4	Revised Adjusted Unduplicated Pupil Count	25,605	25,537
5	UPP calculated as of P-2	0.9158	0.9201
6	Revised UPP for audit finding	0.9098	0.9141
7	Greater of Revised UPP for audit finding from Section 1 or 2		0.9141
8	Charter Schools Only: Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		0.9141
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$79,715,410	
LCFF Target Supplemental Grant Funding Audit Adjustment			
11	Target Supplemental Grant Funding calculated as of P-2	\$14,669,230	
12	Revised Target Supplemental Grant Funding for audit finding	\$14,573,571	
13	Target Supplemental Grant Funding audit adjustment	(\$95,659)	
LCFF Target Concentration Grant Funding Audit Adjustment			
14	Target Concentration Grant Funding calculated as of P-2	\$14,751,337	
15	Revised Target Concentration Grant Funding for audit finding	\$14,512,190	
16	Target Concentration Grant Funding audit adjustment	(\$239,147)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$334,806)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$175,966)	

Recommendation: We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

District Response: Six students in question were taken off the NSLP because the families did not respond to district requests for proof of income including one student with no records on file. Due to the communication process in place at the time, Nutrition Services didn't transmit the revised status of students to the IT department. In addition, neither Nutrition Services nor IT had established a frequency for transmitting changes in NSLP status. At the Draft Audit Finding Review meeting with IT department, the Director of Nutrition Services made IT aware of the verification process and timeline. By agreement, a schedule and approach has been established; the office clerk for Nutrition Services will update the IT department with the names of students whose families provide the documentation after the closing date of November 15th and IT will now request a file on November 16th, the day after verification closes, to update its records. In turn, those families in question, if qualified, will be put back on the free and reduced lunch program once proof of income has been provided.

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

FINDING #2015-01: ASSOCIATED STUDENT BODY FUND INTERNAL CONTROLS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition:

Mountain View High School

- An annual budget is neither maintained nor adopted by the student council.
- Coaches are bypassing ASB internal control procedures to make purchases of sweatsuits and warm-ups for sports teams.
- Due to the fire, the security of the ASB office has been compromised and anyone with a master key can now access the ASB office.
- 2 of 10 disbursements did not have proper support to demonstrate the items had been received.
- Student store inventory counts are not performed.

Arroyo High School

- An annual budget was not prepared nor adopted by the student council from the beginning of the school year.
- 2 of 10 disbursements reviewed did not have proper approval on the check requisition.
- 1 of 10 disbursements had amounts that were paid in excess of the approved check requisition.
- 1 of 5 receipts reviewed was not deposited timely.

El Monte High School

- 2 of 15 disbursements did not have proper support to demonstrate the items had been received.

Rosemead High School

- 1 of 10 disbursements did not have proper support to demonstrate the items had been received.

South El Monte High School

- Student council minutes do not contain evidence of approval of ASB purchases.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

EL MONTE UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , *continued*
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2015-01: ASSOCIATED STUDENT BODY FUND INTERNAL CONTROLS (30000) (continued)

Perspective: Testing of internal control procedures at all district schools

Recommendation: We recommend training and monitoring of the ASB accounting staff for compliance and assistance with proper internal control practices.

District Response: The District held an annual ASB training through FCMAT in August 2015 and will continue monitoring the ASB accounting staff for compliance and assistance with proper internal control practices.

Current Status: Implemented.