

**EL MONTE UNION HIGH SCHOOL  
DISTRICT**

**AUDIT REPORT  
JUNE 30, 2015**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**EL MONTE UNION HIGH SCHOOL DISTRICT  
OF LOS ANGELES COUNTY**

**EL MONTE, CALIFORNIA**

**JUNE 30, 2015**

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Salvador Ramirez	President	2015
Esthela Torres de Siegrist	Vice President	2017
Maria Elena Talamantes	Clerk	2017
Juanita M. Gonzales	Member	2015
Ricardo Padilla	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*

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FOR THE YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

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## 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, 2015, 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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*Licensed by the California  
State Board of Accountancy*

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of El Monte Union High School District, as of June 30, 2015, 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.

### *Emphasis of a Matter*

As described in Note 1 to the financial statements, in 2015 El Monte Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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 3, 2015 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 3, 2015



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

**INTRODUCTION**

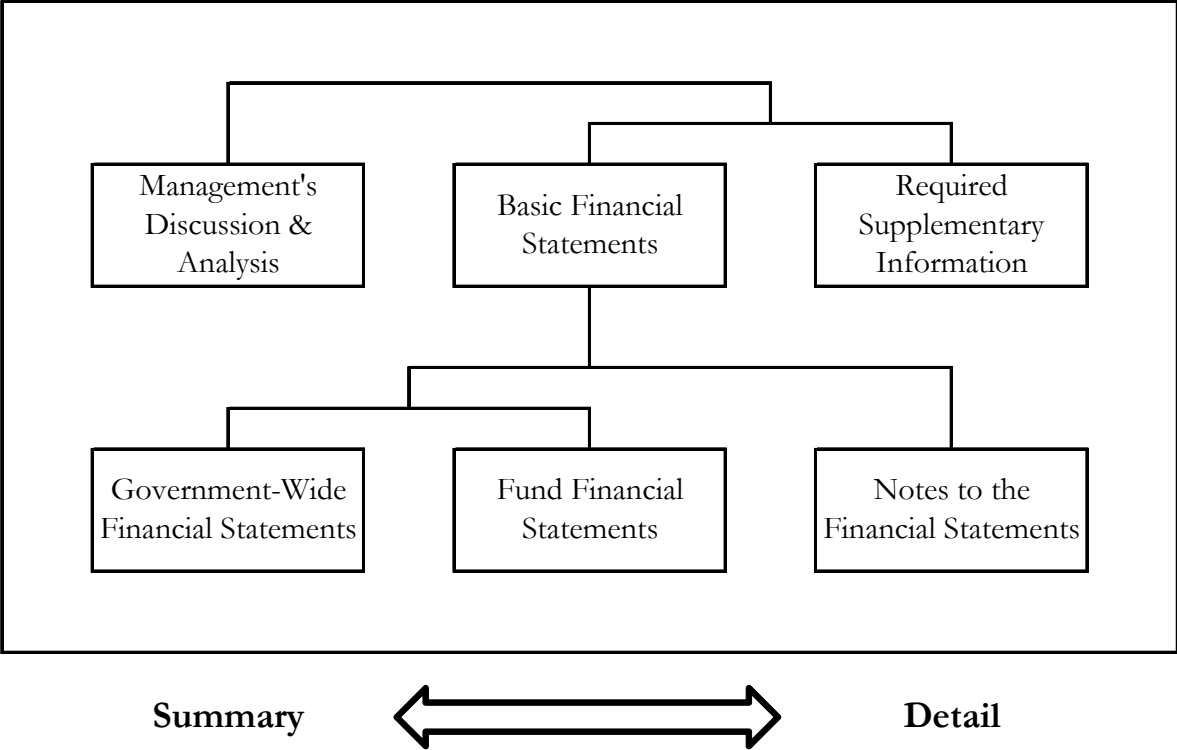
Our discussion and analysis of El Monte Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ The District's total net position was \$9,157,912 at June 30, 2015. This was a decrease of \$98,884,305 from the prior year, before restatement.
- ▶ Overall revenues were \$133,927,821 which was less than expenses of \$142,372,996.

**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, 2015**

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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. LCFF 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, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$9,157,912 at June 30, 2015, as reflected in the table below. Of this amount, (\$75,662,061) 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.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 73,246,478	\$ 75,643,981	\$ (2,397,503)
Capital assets	207,003,446	213,956,583	(6,953,137)
<b>Total Assets</b>	<b>280,249,924</b>	<b>289,600,564</b>	<b>(9,350,640)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,312,279</b>	<b>966,124</b>	<b>6,346,155</b>
<b>LIABILITIES</b>			
Current liabilities	17,196,047	16,289,364	906,683
Long-term liabilities	240,098,056	166,235,107	73,862,949
<b>Total Liabilities</b>	<b>257,294,103</b>	<b>182,524,471</b>	<b>74,769,632</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>21,110,188</b>	<b>-</b>	<b>21,110,188</b>
<b>NET POSITION</b>			
Net investment in capital assets	64,871,653	69,048,570	(4,176,917)
Restricted	19,948,320	22,459,244	(2,510,924)
Unrestricted	(75,662,061)	16,534,403	(92,196,464)
<b>Total Net Position</b>	<b>\$ 9,157,912</b>	<b>\$108,042,217</b>	<b>\$ (98,884,305)</b>

**EL MONTE UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**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.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,894,512	\$ 3,788,795	\$ (1,894,283)
Operating grants and contributions	20,889,851	22,252,065	(1,362,214)
Capital grants and contributions	4,160	34,672	(30,512)
General revenues			
Property taxes	23,709,192	23,146,586	562,606
Unrestricted federal and state aid	83,465,165	75,156,951	8,308,214
Other	3,964,941	2,945,246	1,019,695
<b>Total Revenues</b>	<b>133,927,821</b>	<b>127,324,315</b>	<b>6,603,506</b>
<b>EXPENSES</b>			
Instruction	76,332,399	63,094,649	13,237,750
Instruction-related services	13,100,144	11,427,554	1,672,590
Pupil services	17,933,161	16,082,011	1,851,150
General administration	7,475,595	7,570,579	(94,984)
Plant services	14,691,702	13,630,873	1,060,829
Ancillary and community services	2,240,271	2,108,002	132,269
Debt service	8,719,075	9,244,745	(525,670)
Other Outgo	1,705,012	1,287,790	417,222
Other	175,637	146,120	29,517
<b>Total Expenses</b>	<b>142,372,996</b>	<b>124,592,323</b>	<b>17,780,673</b>
<b>Change in net position</b>	<b>(8,445,175)</b>	<b>2,731,992</b>	<b>(11,177,167)</b>
<b>Net Position - Beginning, as Restated</b>	<b>17,603,087</b>	<b>105,310,225</b>	<b>(87,707,138)</b>
<b>Net Position - Ending</b>	<b>\$ 9,157,912</b>	<b>\$108,042,217</b>	<b>\$ (98,884,305)</b>

\* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

The cost of all our governmental activities this year was \$142,372,996 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$23,709,192 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, 2015**

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**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.

	<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>
Instruction	\$ 65,094,952	\$ 49,922,444
Instruction-related services	10,748,066	9,127,369
Pupil services	11,916,771	10,199,275
General administration	6,777,662	6,826,507
Plant services	12,987,440	11,546,548
Ancillary and community services	2,233,414	2,064,470
Debt service	8,719,075	9,244,745
Transfers to other agencies	931,456	(560,687)
Other	175,637	146,120
<b>Total Expenses</b>	<b>\$ 119,584,473</b>	<b>\$ 98,516,791</b>

**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 \$61,910,460, which is less than last year's ending fund balance of \$66,127,305. The District's General Fund had \$11,179,639 more in operating revenues than expenditures for the year ended June 30, 2015. The Adult Education Fund had \$9,242,556 less in operating revenues than expenditures for the year ended June 30, 2015. The Building Fund had \$2,155,138 less in operating revenues than expenditures for the year ended June 30, 2015. The County School Facilities Fund had \$2,166,048 less in operating revenues than expenditures for the year ended June 30, 2015.

**CURRENT YEAR BUDGET 2014-15**

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, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014-15 the District had invested \$207,003,446 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 5,719,005	\$ 5,719,005	\$ -
Construction in progress	2,218,142	4,891,202	(2,673,060)
Land improvements	5,137,999	5,137,999	-
Buildings & improvements	260,471,256	252,394,501	8,076,755
Furniture & equipment	21,045,756	20,073,177	972,579
Accumulated depreciation	(87,588,712)	(74,259,301)	(13,329,411)
<b>Total Capital Assets</b>	<b>\$207,003,446</b>	<b>\$213,956,583</b>	<b>\$ (6,953,137)</b>

**Long-Term Debt**

At year-end, the District had \$240,098,056 in long-term liabilities, an increase of 44.4% 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.)

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$158,555,788	\$161,679,372	\$ (3,123,584)
Capital leases	1,353,073	1,687,262	(334,189)
Early retirement incentive	474,653	1,236,434	(761,781)
Compensated absences	1,252,923	1,282,763	(29,840)
Net OPEB obligation	7,550,507	6,079,532	1,470,975
Net pension liability	75,750,926	-	75,750,926
Less: current portion of long-term debt	(4,839,814)	(5,730,256)	890,442
<b>Total Long-term Liabilities</b>	<b>\$240,098,056</b>	<b>\$166,235,107</b>	<b>\$ 73,862,949</b>

**EL MONTE UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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 at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension 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, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years, and the increased costs could be 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 2015-16 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 Cynthia Shieh, Chief Business Official, El Monte Union High School District, 3537 Johnson Avenue, El Monte, California, 91731, or e-mail at [cynthia.shieh@emuhsd.org](mailto:cynthia.shieh@emuhsd.org).

EL MONTE UNION HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 64,952,198
Accounts receivable	7,859,288
Inventory	434,992
Capital assets, not depreciated	7,937,147
Capital assets, net of accumulated depreciation	199,066,299
<b>Total Assets</b>	<b>280,249,924</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	6,466,092
Deferred amount on refunding	846,187
<b>Total Deferred Outflows of Resources</b>	<b>7,312,279</b>
<b>LIABILITIES</b>	
Accrued liabilities	12,166,194
Unearned revenue	190,039
Long-term liabilities, current portion	4,839,814
Long-term liabilities, non-current portion	240,098,056
<b>Total Liabilities</b>	<b>257,294,103</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	21,110,188
<b>Total Deferred Inflows of Resources</b>	<b>21,110,188</b>
<b>NET POSITION</b>	
Net investment in capital assets	64,871,653
Restricted:	
Capital projects	14,306,122
Debt service	2,439,279
Educational programs	1,510,250
All others	1,692,669
Unrestricted	(75,662,061)
<b>Total Net Position</b>	<b>\$ 9,157,912</b>

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, 2015**

Function/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 76,332,399	\$ 709,696	\$ 10,523,591	\$ 4,160	\$ (65,094,952)	
Instruction-related services						
Instructional supervision and administration	4,137,885	30,487	1,443,617	-	(2,663,781)	
Instructional library, media, and technology	1,031,185	2,022	2,260	-	(1,026,903)	
School site administration	7,931,074	134,195	739,497	-	(7,057,382)	
Pupil services						
Home-to-school transportation	2,090,108	1,894	31,556	-	(2,056,658)	
Food services	5,357,493	129,955	4,512,752	-	(714,786)	
All other pupil services	10,485,560	35,217	1,305,016	-	(9,145,327)	
General administration						
Centralized data processing	1,412,215	736	60,120	-	(1,351,359)	
All other general administration	6,063,380	42,466	594,611	-	(5,426,303)	
Plant services	14,691,702	804,606	899,656	-	(12,987,440)	
Ancillary services	2,240,271	3,238	3,619	-	(2,233,414)	
Enterprise activities	175,637	-	-	-	(175,637)	
Interest on long-term debt	8,719,075	-	-	-	(8,719,075)	
Other Outgo	1,705,012	-	773,556	-	(931,456)	
<b>Total Governmental Activities</b>	<b>\$ 142,372,996</b>	<b>\$ 1,894,512</b>	<b>\$ 20,889,851</b>	<b>\$ 4,160</b>	<b>(119,584,473)</b>	
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes						
						12,909,973
Property taxes, levied for debt service						
						10,452,989
Property taxes, levied for other specific purposes						
						346,230
Federal and state aid not restricted for specific purposes						
						83,465,165
Interest and investment earnings						
						349,830
Miscellaneous						
						3,615,111
<b>Subtotal, General Revenue</b>						<b>111,139,298</b>
<b>CHANGE IN NET POSITION</b>						<b>(8,445,175)</b>
<b>Net Position - Beginning, as Restated</b>						<b>17,603,087</b>
<b>Net Position - Ending</b>						<b>\$ 9,157,912</b>

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

**EL MONTE UNION HIGH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	Adult Education		County School		Non-Major	Total
	General Fund	Fund	Building Fund	Facilities Fund	Governmental	Governmental
					Funds	Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 24,254,245	\$ 10,951,893	\$ 9,418,706	\$ 9,132,157	\$ 11,195,197	\$ 64,952,198
Accounts receivable	5,832,510	553,784	30,820	30,819	1,411,355	7,859,288
Stores inventory	279,366	137,557	-	-	18,069	434,992
<b>Total Assets</b>	<b>\$ 30,366,121</b>	<b>\$ 11,643,234</b>	<b>\$ 9,449,526</b>	<b>\$ 9,162,976</b>	<b>\$ 12,624,621</b>	<b>\$ 73,246,478</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 9,236,483	\$ 829,625	\$ 345,204	\$ 10,897	\$ 723,770	\$ 11,145,979
Unearned revenue	190,039	-	-	-	-	190,039
<b>Total Liabilities</b>	<b>9,426,522</b>	<b>829,625</b>	<b>345,204</b>	<b>10,897</b>	<b>723,770</b>	<b>11,336,018</b>
<b>FUND BALANCES</b>						
Nonspendable	309,366	138,182	-	-	20,719	468,267
Restricted	1,465,389	-	9,104,322	9,152,079	10,351,067	30,072,857
Committed	3,000,000	10,675,427	-	-	1,529,065	15,204,492
Assigned	5,157,043	-	-	-	-	5,157,043
Unassigned	11,007,801	-	-	-	-	11,007,801
<b>Total Fund Balances</b>	<b>20,939,599</b>	<b>10,813,609</b>	<b>9,104,322</b>	<b>9,152,079</b>	<b>11,900,851</b>	<b>61,910,460</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,366,121</b>	<b>\$ 11,643,234</b>	<b>\$ 9,449,526</b>	<b>\$ 9,162,976</b>	<b>\$ 12,624,621</b>	<b>\$ 73,246,478</b>

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, 2015**

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**Total Fund Balance - Governmental Funds** \$ 61,910,460

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	\$ 294,592,158	
Accumulated depreciation	(87,588,712)	207,003,446

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:

846,187

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:

(1,020,215)

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	\$ 158,555,788	
Capital leases	1,353,073	
Early retirement incentive	474,653	
Compensated absences	1,252,923	
Net OPEB obligation	7,550,507	
Net pension liability	75,750,926	(244,937,870)

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	6,466,092	
Deferred inflows of resources related to pensions	(21,110,188)	(14,644,096)

**Total Net Position - Governmental Activities** **\$ 9,157,912**

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, 2015**

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 90,764,631	\$ -	\$ -	\$ -	\$ -	\$ 90,764,631
Federal sources	6,067,325	1,629,266	-	-	4,693,740	12,390,331
Other state sources	7,381,756	-	-	-	512,043	7,893,799
Other local sources	9,555,954	451,604	113,628	108,759	12,182,547	22,412,492
<b>Total Revenues</b>	<b>113,769,666</b>	<b>2,080,870</b>	<b>113,628</b>	<b>108,759</b>	<b>17,388,330</b>	<b>133,461,253</b>
<b>EXPENDITURES</b>						
Current						
Instruction	57,498,115	5,721,974	-	-	303,644	63,523,733
Instruction-related services						
Instructional supervision and administration	3,991,736	71,146	-	-	-	4,062,882
Instructional library, media, and technology	1,014,370	-	-	-	-	1,014,370
School site administration	5,543,022	2,178,003	-	-	171,832	7,892,857
Pupil services						
Home-to-school transportation	1,699,505	-	-	-	-	1,699,505
Food services	18,691	-	-	-	5,387,342	5,406,033
All other pupil services	9,506,427	818,918	-	-	-	10,325,345
General administration						
Centralized data processing	1,478,110	-	-	-	-	1,478,110
All other general administration	4,588,970	423,515	-	-	330,793	5,343,278
Plant services						
Facilities acquisition and maintenance	12,393,338	1,727,230	-	-	590,266	14,710,834
Ancillary services	396,489	382,640	2,268,766	2,274,807	680,126	6,002,828
Enterprise activities	2,258,546	-	-	-	-	2,258,546
Transfers to other agencies	-	-	-	-	175,637	175,637
Transfers to other agencies	1,766,730	-	-	-	-	1,766,730
Debt service						
Principal	334,189	-	-	-	3,888,714	4,222,903
Interest and other	101,789	-	-	-	7,692,718	7,794,507
<b>Total Expenditures</b>	<b>102,590,027</b>	<b>11,323,426</b>	<b>2,268,766</b>	<b>2,274,807</b>	<b>19,221,072</b>	<b>137,678,098</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>11,179,639</b>	<b>(9,242,556)</b>	<b>(2,155,138)</b>	<b>(2,166,048)</b>	<b>(1,832,742)</b>	<b>(4,216,845)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	7,422,374	526,802	-	775,000	8,724,176
Transfers out	(8,574,176)	(150,000)	-	-	-	(8,724,176)
<b>Net Financing Sources (Uses)</b>	<b>(8,574,176)</b>	<b>7,272,374</b>	<b>526,802</b>	<b>-</b>	<b>775,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,605,463</b>	<b>(1,970,182)</b>	<b>(1,628,336)</b>	<b>(2,166,048)</b>	<b>(1,057,742)</b>	<b>(4,216,845)</b>
<b>Fund Balance - Beginning</b>	<b>18,334,136</b>	<b>12,783,791</b>	<b>10,732,658</b>	<b>11,318,127</b>	<b>12,958,593</b>	<b>66,127,305</b>
<b>Fund Balance - Ending</b>	<b>\$ 20,939,599</b>	<b>\$ 10,813,609</b>	<b>\$ 9,104,322</b>	<b>\$ 9,152,079</b>	<b>\$ 11,900,851</b>	<b>\$ 61,910,460</b>

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, 2015**

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**Net Change in Fund Balances - Governmental Funds** \$ (4,216,845)

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:	\$ 7,051,888	
Depreciation expense:	<u>(13,329,411)</u>	(6,277,523)

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:

6,094,189

Deferred amounts on refunding:

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

(119,937)

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:

22,217

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.

(2,818,071)

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, 2015**

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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: 29,840

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: 761,781

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: (1,470,975)

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: 44,108

Cost write-off for canceled capital projects:

If a planned capital project is canceled and will not be completed, costs previously capitalized as Work-in-progress must be written off to expense. Costs written off for canceled projects were: (675,614)

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: 181,655

**Change in Net Position of Governmental Activities** \$ (8,445,175)

EL MONTE UNION HIGH SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

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	Agency Funds	
	Warrant/Pass- through Fund	Student Body Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 510,196	\$ 1,147,421
Accounts receivable	3,327	-
<b>Total Assets</b>	<b>\$ 513,523</b>	<b>\$ 1,147,421</b>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 513,523	\$ -
Due to student groups	-	1,147,421
<b>Total Liabilities</b>	<b>\$ 513,523</b>	<b>\$ 1,147,421</b>

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

EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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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*).

**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.*).

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

C. Basis of Presentation (*continued*)

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*).

**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*).

**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. Cash held in the county treasury is recorded at cost, which approximates fair value.

**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 fair market values 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.

**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.

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** (*continued*)

*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.



EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

**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 not yet determined the impact on the financial statements.

**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. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**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.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Cash in county	\$ 64,912,423	\$ 510,196
Cash on hand and in banks	6,500	1,147,421
Cash in revolving fund	33,275	-
<b>Total cash and cash equivalents</b>	<u>\$ 64,952,198</u>	<u>\$ 1,657,617</u>

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, 2015

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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 \$65,354,398 and an amortized book value of \$65,422,619. The average weighted maturity for this pool is 595 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, 2015, the pooled investments in the County Treasury were not rated.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government							
Categorical aid	\$ 2,132,690	\$ 535,398	\$ -	\$ -	\$ 723,983	\$ 3,392,071	\$ -
State Government							
Categorical aid	308,724	-	-	-	66,144	374,868	-
Lottery	1,335,129	-	-	-	-	1,335,129	-
Local Government							
Other local sources	2,055,967	18,386	30,820	30,819	621,228	2,757,220	3,327
<b>Total</b>	<b>\$ 5,832,510</b>	<b>\$ 553,784</b>	<b>\$ 30,820</b>	<b>\$ 30,819</b>	<b>\$ 1,411,355</b>	<b>\$ 7,859,288</b>	<b>\$ 3,327</b>

**EL MONTE UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 5,719,005	\$ -	\$ -	\$ 5,719,005
Construction in progress	4,891,202	4,860,718	7,533,778	2,218,142
Total Capital Assets not Being Depreciated	<u>10,610,207</u>	<u>4,860,718</u>	<u>7,533,778</u>	<u>7,937,147</u>
Capital assets being depreciated				
Land improvements	5,137,999	-	-	5,137,999
Buildings & improvements	252,394,501	8,076,755	-	260,471,256
Furniture & equipment	20,073,177	972,579	-	21,045,756
Total Capital Assets Being Depreciated	<u>277,605,677</u>	<u>9,049,334</u>	<u>-</u>	<u>286,655,011</u>
Less Accumulated Depreciation				
Land improvements	3,906,594	40,995	-	3,947,589
Buildings & improvements	57,277,238	12,410,612	-	69,687,850
Furniture & equipment	13,075,469	877,804	-	13,953,273
Total Accumulated Depreciation	<u>74,259,301</u>	<u>13,329,411</u>	<u>-</u>	<u>87,588,712</u>
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<u>\$ 213,956,583</u>	<u>\$ 580,641</u>	<u>\$ 7,533,778</u>	<u>\$ 207,003,446</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 11,996,470
Home-to-school transportation	399,882
All other general administration	533,177
Plant services	399,882
Total depreciation expense	<u>\$ 13,329,411</u>

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

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

Interfund Transfers Out	Interfund Transfers In			
	Adult Education	Building Fund	Non-Major	Total
	Fund		Governmental	
General Fund	\$ 7,422,374	\$ 526,802	\$ 625,000	\$ 8,574,176
Adult Education Fund	-	-	150,000	150,000
<b>Total Interfund Transfers</b>	<b>\$ 7,422,374</b>	<b>\$ 526,802</b>	<b>\$ 775,000</b>	<b>\$ 8,724,176</b>

The General Fund transferred to the Adult Education Fund for apportionment received.	\$ 7,422,374
The General Fund transferred to the Building Fund to cover costs.	526,802
The General Fund transferred to the Non-Major Deferred Maintenance Fund for the deferred maintenance contribution.	625,000
The Adult Education Fund transferred to the Non-Major Child Development Fund to cover the cost of operating the Child Development Program.	150,000
<b>Total</b>	<b>\$ 8,724,176</b>

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Adult Education		County School	Non-Major	District-Wide	Total	Total Fiduciary
		Fund	Building Fund					
Payroll	\$ 1,968,762	\$ 348,074	\$ 23,483	\$ -	\$ 125,299	\$ -	\$ 2,465,618	\$ 513,523
Construction	-	-	321,721	10,897	354,588	-	687,206	-
Vendors payable	5,933,655	481,160	-	-	238,405	-	6,653,220	-
Unmatured interest	-	-	-	-	-	1,020,215	1,020,215	-
Other liabilities	1,334,066	391	-	-	5,478	-	1,339,935	-
<b>Total</b>	<b>\$ 9,236,483</b>	<b>\$ 829,625</b>	<b>\$ 345,204</b>	<b>\$ 10,897</b>	<b>\$ 723,770</b>	<b>\$ 1,020,215</b>	<b>\$ 12,166,194</b>	<b>\$ 513,523</b>

NOTE 7 – UNEARNED REVENUE

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

	General Fund
Federal sources	\$ 175,362
State categorical sources	14,677
<b>Total</b>	<b>\$ 190,039</b>

**EL MONTE UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance		Balance Due In One Year
	July 01, 2014	Additions	Deductions	June 30, 2015		
<b>Governmental Activities</b>						
General obligation bonds	\$ 153,806,274	\$ 2,818,071	\$ 5,760,000	\$ 150,864,345	\$ 3,267,136	
Unamortized premium	7,873,098	-	181,655	7,691,443	745,572	
Total general obligation bonds	161,679,372	2,818,071	5,941,655	158,555,788	4,012,708	
Capital leases	1,687,262	-	334,189	1,353,073	352,453	
Early retirement incentive	1,236,434	-	761,781	474,653	474,653	
Compensated absences	1,282,763	-	29,840	1,252,923	-	
Net OPEB obligation	6,079,532	1,470,975	-	7,550,507	-	
Net pension liability	96,049,473	-	20,298,547	75,750,926	-	
<b>Total</b>	<b>\$ 268,014,836</b>	<b>\$ 4,289,046</b>	<b>\$ 27,366,012</b>	<b>\$ 244,937,870</b>	<b>\$ 4,839,814</b>	

- Payments for bonds associated with 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.

**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, 2014	Additions	Deductions	Outstanding June 30, 2015	
Election 2002, Series A	May 29, 2003	June 1, 2028	2.50% - 5.00%	\$ 25,000,000	\$ 1,185,000	\$ -	\$ 80,000	\$ 1,105,000	
Election 2002, Series B	March 11, 2005	March 1, 2029	3.00% - 5.00%	35,000,000	1,210,000	-	1,210,000	-	
2006 Refunding	May 31, 2006	June 1, 2021	3.89% - 5.25%	38,929,927	36,623,806	575,572	2,855,000	34,344,378	
Election 2002, Series C	February 14, 2008	June 1, 2032	2.40% - 5.00%	29,997,257	27,565,000	-	750,000	26,815,000	
Election 2008, Series A	June 2, 2009	June 1, 2034	4.75% - 9.50%	54,001,305	53,927,263	414,891	845,000	53,497,154	
Election 2008, Series B	August 9, 2012	June 1, 2042	1.68% - 7.00%	30,337,787	33,295,205	1,827,608	20,000	35,102,813	
					<b>\$ 153,806,274</b>	<b>\$ 2,818,071</b>	<b>\$ 5,760,000</b>	<b>\$ 150,864,345</b>	

**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, 2015, the Series A General Obligation Bonds principal balance outstanding was \$1,105,000 and unamortized premium, and deferred amounts on refunding were \$605,028 and \$119,730, respectively.



**EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election of 2002, Series B**

On March 30, 2005, the District issued \$35,000,000 of Series B General Obligation Bonds. The bonds mature beginning on March 1, 2006, through March 1, 2015, with interest yields ranging from 3.00 to 5.00 percent. The Series B General obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$36,001,303 (including a premium of \$1,656,803 and payment of \$655,500 for issuance costs). At June 30, 2015, the Series B 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, 2015, the 2006 General Obligation Refunding Bonds principal balance outstanding was \$34,344,378 and unamortized premium and deferred amounts on refunding were \$2,325,539, and \$702,430, respectively.

**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, 2015, the Series C General Obligation Bonds principal balance outstanding was \$26,815,000 and unamortized premium was \$1,321,143.

**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, 2015, the Series A General Obligation Bonds principal balance outstanding was \$53,497,154 and unamortized premium was \$1,981,542.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

**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, 2015, the Series B General Obligation Bonds principal balance outstanding was \$35,102,813 and unamortized premium was \$1,458,192.

The general obligation bonds mature through 2042 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,267,136	\$ 8,750,508	\$ 12,017,644
2017	6,402,626	6,350,518	12,753,144
2018	7,015,953	6,204,628	13,220,581
2019	7,694,751	6,063,980	13,758,731
2020	9,465,459	4,827,322	14,292,781
2021 - 2025	26,263,168	20,394,458	46,657,626
2026 - 2030	32,662,176	17,610,424	50,272,600
2031 - 2035	32,818,243	18,100,076	50,918,319
2036 - 2040	11,579,278	44,207,115	55,786,393
2041 - 2042	5,022,809	21,390,630	26,413,439
Accretion	8,672,746	(8,672,746)	-
Total	\$ 150,864,345	\$ 145,226,913	\$ 296,091,258

B. Capital Lease Obligation

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

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2016	\$ 416,542
2017	416,542
2018	416,542
2019	240,686
Total minimum lease payments	1,490,312
Less amount representing interest	(137,239)
Present value of minimum lease payments	\$ 1,353,073

EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (*continued*)

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. There were no early retirements during the 2011-2012, 2012-2013, or 2013-2014 school years. As of June 30, 2015, the balance was \$474,653.

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$1,252,923. 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, 2015, was \$2,211,127 and contributions made by the District during the year were \$631,753. Interest and other adjustments on the net OPEB obligation were (\$108,399), which resulted in a net increase to the net OPEB obligation of \$1,470,975. As of June 30, 2015, the net OPEB obligation was \$7,550,507. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

F. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District's restated beginning net pension liability was \$96,049,473 and was decreased by \$20,298,547 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$75,750,926. See Note 11 for additional information regarding the net pension liability.

**EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 30,000	\$ 625	\$ -	\$ -	\$ 2,650	\$ 33,275
Stores inventory	279,366	137,557	-	-	18,069	434,992
Total non-spendable	309,366	138,182	-	-	20,719	468,267
Restricted						
Educational programs	1,465,389	-	-	-	44,861	1,510,250
Capital projects	-	-	9,104,322	9,152,079	5,154,043	23,410,444
Debt service	-	-	-	-	3,459,494	3,459,494
All others	-	-	-	-	1,692,669	1,692,669
Total restricted	1,465,389	-	9,104,322	9,152,079	10,351,067	30,072,857
Committed						
Other commitments	3,000,000	10,675,427	-	-	1,529,065	15,204,492
Total committed	3,000,000	10,675,427	-	-	1,529,065	15,204,492
Assigned						
Adult Education	2,348,974	-	-	-	-	2,348,974
Postemployment Benefits	2,808,069	-	-	-	-	2,808,069
Total assigned	5,157,043	-	-	-	-	5,157,043
Unassigned						
Reserve for economic uncertainties	11,007,801	-	-	-	-	11,007,801
Total unassigned	11,007,801	-	-	-	-	11,007,801
<b>Total</b>	<b>\$ 20,939,599</b>	<b>\$ 10,813,609</b>	<b>\$ 9,104,322</b>	<b>\$ 9,152,079</b>	<b>\$ 11,900,851</b>	<b>\$ 61,910,460</b>

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.

**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 2014-2015, the District contributed \$631,753 to the plan, all of which was used for current premium payments.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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

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	243,181
Adjustment to annual required contribution	(351,580)
Annual OPEB cost (expense)	<u>2,102,728</u>
Contributions made	<u>(631,753)</u>
Increase (decrease) in net OPEB obligation	1,470,975
Net OPEB obligation, beginning of the year	6,079,532
Net OPEB obligation, end of the year	<u>\$ 7,550,507</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, 2015 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 2,102,728	30%	\$ 7,550,507
2014	\$ 1,913,073	34%	\$ 6,079,532
2013	\$ 1,936,326	33%	\$ 4,813,513

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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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.

**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 recognized \$6,421,985 for their proportionate share of pension expense for the year ended June 30, 2015.

**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.

***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 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, 2015**

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**NOTE 11 – PENSION PLANS (continued)**

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

*CalSTRS 2% at 62 (continued)*

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 members are required to contribute 8.15% of their salary for fiscal year 2015 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 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$4,201,988 for the year ended June 30, 2015.

**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 \$2,519,103 to CalSTRS (5.679% of 2012-13 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, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 57,275,854
States's proportionate share of the net pension liability associated with the District	34,585,634
Total	\$ 91,861,488

The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.098 percent, which did not change from its proportion measured as of June 30, 2013.



EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2015, the District recognized pension expense of \$4,944,398. In addition, the District recognized pension expense and revenue of \$2,985,671 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 14,104,070
District contributions subsequent to the measurement date	4,201,988	-
	<u>\$ 4,201,988</u>	<u>\$ 14,104,070</u>

\$4,201,988 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, 2016. 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 Inflows of Resources</u>
2016	\$ 3,526,018
2017	3,526,018
2018	3,526,018
2019	3,526,016
	<u>\$ 14,104,070</u>

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

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, 2013 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>	

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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	\$ 89,278,077	\$ 57,275,854	\$ 30,591,816

**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 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$2,264,104 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$18,475,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013, and rolling forward the total pension liability to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.163 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2013.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2015, the District recognized pension expense of \$1,477,587. At June 30, 2015, 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	\$ -	\$ 6,348,242
Changes in proportion and differences between District contributions and proportionate share of contributions	-	657,876
District contributions subsequent to the measurement date	2,264,104	-
	<u>\$ 2,264,104</u>	<u>\$ 7,006,118</u>

\$2,264,104 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, 2016. 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 Inflows of Resources</u>
2016	\$ 1,751,530
2017	1,751,530
2018	1,751,530
2019	1,751,528
	<u>\$ 7,006,118</u>

EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015

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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, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

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, 2013 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, 2015

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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	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	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 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

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

**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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 32,409,494	\$ 18,475,072	\$ 6,831,458

**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, 2015.

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, 2015.

C. Construction Commitments

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$27,625,670.



**EL MONTE UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**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 outflow 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 outflow 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, 2015, the deferred amount on refunding was \$846,187.

**Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District's deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>
STRS Pension	\$ 4,201,988	\$ 14,104,070
PERS Pension	2,264,104	7,006,118
<b>Total</b>	<b>\$ 6,466,092</b>	<b>\$ 21,110,188</b>

**EL MONTE UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015**

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**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). Refer to Note 15 for additional information regarding the risk pools. 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, 2015, 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.

**NOTE 16 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 108,042,217
Restatement	(90,439,130)
Net Position - Beginning, as Restated	<u>\$ 17,603,087</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**EL MONTE UNION HIGH SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 88,696,531	\$ 88,763,101	\$ 90,764,631	\$ 2,001,530
Federal sources	5,322,871	6,571,915	6,067,325	(504,590)
Other state sources	4,712,388	4,415,314	4,862,653	447,339
Other local sources	9,906,586	10,365,815	9,537,066	(828,749)
<b>Total Revenues</b>	<b>108,638,376</b>	<b>110,116,145</b>	<b>111,231,675</b>	<b>1,115,530</b>
<b>EXPENDITURES</b>				
Certificated salaries	44,209,122	45,314,351	44,199,051	1,115,300
Classified salaries	16,357,528	17,542,014	16,998,849	543,165
Employee benefits	19,826,547	19,996,870	19,620,080	376,790
Books and supplies	5,871,207	8,972,495	5,485,480	3,487,015
Services and other operating expenditures	10,847,767	12,706,448	11,670,755	1,035,693
Capital outlay	379,143	771,492	638,321	133,171
Other outgo				
Excluding transfers of indirect costs	3,520,785	3,627,979	2,202,708	1,425,271
Transfers of indirect costs	(650,152)	(651,375)	(744,320)	92,945
<b>Total Expenditures</b>	<b>100,361,947</b>	<b>108,280,274</b>	<b>100,070,924</b>	<b>8,209,350</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>8,276,429</b>	<b>1,835,871</b>	<b>11,160,751</b>	<b>9,324,880</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(8,047,374)	(8,107,934)	(8,574,176)	(466,242)
<b>Net Financing Sources (Uses)</b>	<b>(8,047,374)</b>	<b>(8,107,934)</b>	<b>(8,574,176)</b>	<b>(466,242)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>229,055</b>	<b>(6,272,063)</b>	<b>2,586,575</b>	<b>8,858,638</b>
<b>Fund Balance - Beginning</b>	<b>16,274,882</b>	<b>16,274,882</b>	<b>16,274,882</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 16,503,937</b>	<b>\$ 10,002,819</b>	<b>\$ 18,861,457</b>	<b>\$ 8,858,638</b>

\* 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 reasons:

- On behalf payments of \$2,519,103 are not included in the actual revenues and expenditures reported in this schedule.
- 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, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ 1,435,910	\$ 1,629,266	\$ 1,629,266	\$ -
Other local sources	936,992	996,341	451,604	(544,737)
<b>Total Revenues</b>	<b>2,372,902</b>	<b>2,625,607</b>	<b>2,080,870</b>	<b>(544,737)</b>
<b>EXPENDITURES</b>				
Certificated salaries	4,275,894	4,319,503	4,377,920	(58,417)
Classified salaries	2,155,652	2,035,355	1,840,043	195,312
Employee benefits	1,700,101	1,693,777	1,643,275	50,502
Books and supplies	408,916	1,244,368	1,418,525	(174,157)
Services and other operating expenditures	999,459	1,572,377	1,129,859	442,518
Capital outlay	15,000	292,035	490,289	(198,254)
Other outgo				
Transfers of indirect costs	403,278	399,846	423,515	(23,669)
<b>Total Expenditures</b>	<b>9,958,300</b>	<b>11,557,261</b>	<b>11,323,426</b>	<b>233,835</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(7,585,398)</b>	<b>(8,931,654)</b>	<b>(9,242,556)</b>	<b>(310,902)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	7,422,374	6,956,131	7,422,374	466,243
Transfers out	-	-	(150,000)	(150,000)
<b>Net Financing Sources (Uses)</b>	<b>7,422,374</b>	<b>6,956,131</b>	<b>7,272,374</b>	<b>316,243</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(163,024)</b>	<b>(1,975,523)</b>	<b>(1,970,182)</b>	<b>5,341</b>
<b>Fund Balance - Beginning</b>	<b>12,783,791</b>	<b>12,783,791</b>	<b>12,783,791</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 12,620,767</b>	<b>\$ 10,808,268</b>	<b>\$ 10,813,609</b>	<b>\$ 5,341</b>

See accompanying note to required supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a Percentage of Covered Payroll</b>
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, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.098%
District's proportionate share of the net pension liability	\$ 57,275,854
States's proportionate share of the net pension liability associated with the District	34,585,634
Total	<u>\$ 91,861,488</u>
District's covered-employee payroll	\$ 47,701,755
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.1%
Plan fiduciary net position as a percentage of the total pension liability.	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, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.163%
District's proportionate share of the net pension liability	\$ 18,475,072
District's covered-employee payroll	\$ 19,223,162
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.1%
Plan fiduciary net position as a percentage of the total pension liability.	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, 2015**

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

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

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**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, 2015**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, 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:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
Adult Education Fund			
Certificated salaries	\$ 4,319,503	\$ 4,377,920	\$ 58,417
Books and supplies	\$ 1,244,368	\$ 1,418,525	\$ 174,157
Capital outlay	\$ 292,035	\$ 490,289	\$ 198,254
Other outgo			
Transfers of indirect costs	\$ 399,846	\$ 423,515	\$ 23,669

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**SUPPLEMENTARY  
INFORMATION**

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**EL MONTE UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education Cluster	84.010	14329	\$ 3,553,208
Adult Education: Adult Secondary Education (Section 231)	84.002	13978	309,425
Adult Education: Adult Basic Education & ESL (Section 231)	84.002A	14508	1,206,549
Adult Education: English Literacy and Civics Education	84.002A	14109	8,230
Subtotal Adult Education Cluster			<u>1,524,204</u>
Title I, Part C Cluster			
Title I, Part C, Migrant Education	84.011	14838	27,295
Title I, Part C, Migrant Education, Summer Program	84.011	10005	24
Subtotal Title I, Part C Cluster			<u>27,319</u>
Title II, Part A, Teacher Quality	84.367	14341	243,402
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	236,880
Title III, Immigrant Education Program	84.365	15146	6,740
Subtotal Title III Cluster			<u>243,620</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,521,133
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	100,638
Subtotal Special Education Cluster			<u>1,621,771</u>
Carl D. Perkins Career and Technical Education Cluster			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	349,711
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	105,062
Subtotal Carl D. Perkins Career and Technical Education Cluster			<u>454,773</u>
<b>Total U. S. Department of Education</b>			<u><u>7,668,297</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Basic Breakfast Program	10.553	13525	11,269
Needy Breakfast Program	10.553	13526	1,009,272
National School Lunch Program	10.555	13391	3,295,078
Meal Supplements	10.555	*	13,621
USDA Commodities	10.555	*	350,720
Subtotal Child Nutrition Cluster			<u>4,679,960</u>
<b>Total U. S. Department of Agriculture</b>			<u><u>4,679,960</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Federal General (CTTR) and State Preschool	93.575	15136	13,780
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	3,762
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>17,542</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 12,365,799</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, 2015**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	8,883.84	8,802.49
Extended Year Special Education	49.86	36.61
Special Education - Nonpublic Schools	38.55	42.40
Extended Year Special Education - Nonpublic Schools	3.92	3.92
Community Day School	28.85	29.44
Total Ninth through Twelfth	9,005.02	8,914.86
TOTAL SCHOOL DISTRICT	9,005.02	8,914.86

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2014-15 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Grade 9	64,800	63,000	64,886	180	Complied
Grade 10	64,800	63,000	64,886	180	Complied
Grade 11	64,800	63,000	64,886	180	Complied
Grade 12	64,800	63,000	64,886	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, 2015**

	<b>2016 (Budget)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 122,270,821	\$ 111,231,675	\$ 106,216,295	\$ 98,085,749
Expenditures And Other Financing Uses	116,962,933	108,645,100	101,781,152	99,030,984
Net change in Fund Balance	\$ 5,307,888	\$ 2,586,575	\$ 4,435,143	\$ (945,235)
Ending Fund Balance	\$ 23,439,418	\$ 18,861,457	\$ 16,274,882	\$ 11,839,739
Available Reserves*	\$ 15,089,384	\$ 11,007,801	\$ 12,690,437	\$ 10,680,083
Available Reserves As A Percentage Of Outgo	12.90%	10.13%	12.47%	10.78%
Long-term Debt	\$ 240,098,056	\$ 244,937,870	\$ 171,965,363	\$ 175,085,170
Average Daily Attendance At P-2	8,955	9,005	9,136	9,245

The General Fund balance has increased by \$6,291,791 over the past two years. The fiscal year 2015-16 budget projects a further increase of \$5,307,888. 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 two of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$69,852,700 over the past two years.

Average daily attendance has decreased by 240 ADA over the past two years. Additional decline of 50 ADA is anticipated during the 2015-16 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.
- On behalf payments of \$2,519,103 are not included in the actual revenues and expenditures reported in this schedule.

**EL MONTE UNION HIGH SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>General Fund</b>	<b>Special Reserve Fund for Postemployment Benefits</b>
June 30, 2015, annual financial and budget report fund balance	\$ 18,131,530	\$ 2,808,069
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	2,808,069	(2,808,069)
Net adjustments and reclassifications	2,808,069	(2,808,069)
June 30, 2015, audited financial statement fund balance	\$ 20,939,599	\$ -

See accompanying note to supplementary information.

EL MONTE UNION HIGH SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 4,486	\$ 1,117,195	\$ 1,547,438	\$ 3,129,190	\$ 1,937,394	\$ 3,459,383	\$ 111	\$ 11,195,197
Accounts receivable	66,567	823,304	5,637	8,606	507,241	-	-	1,411,355
Stores inventory	-	18,069	-	-	-	-	-	18,069
<b>Total Assets</b>	<b>\$ 71,053</b>	<b>\$ 1,958,568</b>	<b>\$ 1,553,075</b>	<b>\$ 3,137,796</b>	<b>\$ 2,444,635</b>	<b>\$ 3,459,383</b>	<b>\$ 111</b>	<b>\$ 12,624,621</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ 26,192	\$ 245,180	\$ 24,010	\$ 354,588	\$ 73,800	\$ -	\$ -	\$ 723,770
<b>Total Liabilities</b>	<b>26,192</b>	<b>245,180</b>	<b>24,010</b>	<b>354,588</b>	<b>73,800</b>	<b>-</b>	<b>-</b>	<b>723,770</b>
<b>FUND BALANCES</b>								
Non-spendable	-	20,719	-	-	-	-	-	20,719
Restricted	44,861	1,692,669	-	2,783,208	2,370,835	3,459,383	111	10,351,067
Committed	-	-	1,529,065	-	-	-	-	1,529,065
<b>Total Fund Balances</b>	<b>44,861</b>	<b>1,713,388</b>	<b>1,529,065</b>	<b>2,783,208</b>	<b>2,370,835</b>	<b>3,459,383</b>	<b>111</b>	<b>11,900,851</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 71,053</b>	<b>\$ 1,958,568</b>	<b>\$ 1,553,075</b>	<b>\$ 3,137,796</b>	<b>\$ 2,444,635</b>	<b>\$ 3,459,383</b>	<b>\$ 111</b>	<b>\$ 12,624,621</b>

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, 2015**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>								
Federal sources	\$ 13,780	\$ 4,679,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,693,740
Other state sources	40,817	380,971	-	-	-	90,255	-	512,043
Other local sources	307,563	359,482	11,398	651,668	397,066	10,455,369	1	12,182,547
<b>Total Revenues</b>	<b>362,160</b>	<b>5,420,413</b>	<b>11,398</b>	<b>651,668</b>	<b>397,066</b>	<b>10,545,624</b>	<b>1</b>	<b>17,388,330</b>
<b>EXPENDITURES</b>								
Current								
Instruction	303,644	-	-	-	-	-	-	303,644
Instruction-related services								
School site administration	171,832	-	-	-	-	-	-	171,832
Pupil services								
Food services	-	5,387,342	-	-	-	-	-	5,387,342
General administration								
All other general administration	26,838	293,967	-	9,988	-	-	-	330,793
Plant services	-	-	589,996	-	270	-	-	590,266
Facilities acquisition and maintenance	-	179,118	-	89,452	411,556	-	-	680,126
Enterprise activities	-	175,637	-	-	-	-	-	175,637
Debt service								
Principal	-	-	-	-	-	3,888,714	-	3,888,714
Interest and other	-	-	-	-	-	7,692,718	-	7,692,718
<b>Total Expenditures</b>	<b>502,314</b>	<b>6,036,064</b>	<b>589,996</b>	<b>99,440</b>	<b>411,826</b>	<b>11,581,432</b>	<b>-</b>	<b>19,221,072</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(140,154)</b>	<b>(615,651)</b>	<b>(578,598)</b>	<b>552,228</b>	<b>(14,760)</b>	<b>(1,035,808)</b>	<b>1</b>	<b>(1,832,742)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	150,000	-	625,000	-	-	-	-	775,000
<b>Net Financing Sources (Uses)</b>	<b>150,000</b>	<b>-</b>	<b>625,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>775,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,846</b>	<b>(615,651)</b>	<b>46,402</b>	<b>552,228</b>	<b>(14,760)</b>	<b>(1,035,808)</b>	<b>1</b>	<b>(1,057,742)</b>
<b>Fund Balance - Beginning</b>	<b>35,015</b>	<b>2,329,039</b>	<b>1,482,663</b>	<b>2,230,980</b>	<b>2,385,595</b>	<b>4,495,191</b>	<b>110</b>	<b>12,958,593</b>
<b>Fund Balance - Ending</b>	<b>\$ 44,861</b>	<b>\$ 1,713,388</b>	<b>\$ 1,529,065</b>	<b>\$ 2,783,208</b>	<b>\$ 2,370,835</b>	<b>\$ 3,459,383</b>	<b>\$ 111</b>	<b>\$ 11,900,851</b>

See accompanying note to supplementary information.

**EL MONTE UNION HIGH SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of 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, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 12,390,331
Medi-Cal Billing Option	93.778	<u>(24,532)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$12,365,799</u>

**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, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

**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, 2015

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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. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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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, 2015, 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 3, 2015.

**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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2015-1)

### **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*.

### **El Monte Union High School District's Response to Findings**

El Monte Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. El Monte Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



San Diego, California  
December 3, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 3, 2015

## 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 *2014-15 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, 2015, 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 *2014-15 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, 2015.

*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:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	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
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below

*Continued on to next page*

*Continued from previous page*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
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 California Clean Energy Jobs Act because the district had no expenditures as of June 30, 2015.

*Christy White Associates*

San Diego, California  
December 3, 2015

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**EL MONTE UNION HIGH SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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>Yes</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 section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.048</u>	<u>Carl D. Perkins Career and Technical Education Cluster</u>
<u>84.002, 84.002A</u>	<u>Adult Education Cluster</u>
<u>84.027</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>370,974</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>None Reported</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, 2015**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

**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.

**Perspective:** Testing of internal control procedures at all district schools

EL MONTE UNION HIGH SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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

**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.

EL MONTE UNION HIGH SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015.*

**EL MONTE UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*The District had no State award findings or questioned costs for the year ended June 30, 2015.*

**EL MONTE UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINDING #2014-01: 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.
- Teachers are not consistently turning in receipts to support fundraising activities.
- 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.

**Arroyo High School**

- An annual budget is neither maintained nor adopted by the student council.
- 1 of 20 disbursements reviewed did not have proper approval on the check requisition.
- 1 of 20 receipts reviewed was not deposited timely.
- 1 of 20 receipts reviewed was not accurately stated on the deposit slip.

**El Monte High School, Rosemead High School, and South El Monte High School**

- Employees are paid directly through ASB accounts, all payroll related transactions, including employee stipends should be processed by the District Office with the ASB reimbursing the District for all charges to ensure appropriate taxes are withheld from each payment.

**Cause:** Insufficient controls over student body activities.

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

**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.

**Current Year Status:** Partially implemented, see current year finding and recommendation #2015-1.