SANTA ANA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SANTA ANA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

TABLE OF CONTENTS
JUNE 30, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Ana Unified School District
Santa Ana, 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 Santa Ana Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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 management's discussion and analysis on pages 5 through 19, budgetary comparison schedule on page 87, schedule of changes in the District's net OPEB liability and related ratios on page 88, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 89, schedule of the District's proportionate share of the net pension liability on page 90, and the schedule of District contributions on page 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Ana Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the Santa Ana Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Ana Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Ana Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018

This section of Santa Ana Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

The Primary unit of the government is the Santa Ana Unified School District.

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity. The District's fiduciary activities are reported in the *Statement of Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $246,256,918 for the fiscal year ended June 30, 2018, reflecting an increase of 11.3 percent since June 30, 2017. Of this amount, $158,539,821 was restricted. 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. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2018	(as Restated) 2017
Assets		
Current and other assets	$ 343,906,148	$ 343,754,944
Capital assets	1,044,641,930	1,026,766,213
Total Assets	**1,388,548,078**	**1,370,521,157**
Deferred Outflows of Resources	**250,230,418**	**137,410,584**
Liabilities		
Current liabilities, including current portion of long-term obligations	102,810,410	71,005,086
Long-term obligations	593,886,071	612,730,964
Aggregate net pension liability	653,277,812	578,784,361
Total Liabilities	**1,349,974,293**	**1,262,520,411**
Deferred Inflows of Resources	**42,547,285**	**24,149,670**
Net Position		
Net investment in capital assets	708,320,263	697,858,055
Restricted	158,539,821	141,102,128
Unrestricted	(620,603,166)	(617,698,523)
Total Net Position	**$ 246,256,918**	**$ 221,261,660**

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased to $(620,603,166) compared to $(617,698,523).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 21. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,715,977	$ 2,834,549
Operating grants and contributions	174,334,869	169,012,131
Capital grants and contributions	3,603,570	236,844
General revenues:		
Federal and State aid not restricted	372,146,468	390,117,938
Property taxes	192,750,585	175,776,682
Other general revenues	23,488,370	35,729,250
Total Revenues	**769,039,839**	**773,707,394**
Expenses		
Instruction	489,567,397	507,317,115
Pupil services	87,617,575	86,450,833
Administration	76,944,864	46,624,264
Plant services	56,403,895	56,081,863
Interest on long-term obligations	22,456,798	19,830,059
Other	11,054,052	12,126,543
Total Expenses	**744,044,581**	**728,430,677**
Change in Net Position	**$ 24,995,258**	**$ 45,276,717**

Governmental Activities

As reported in the *Statement of Activities* on page 21, the cost of all of our governmental activities this year was $744,044,581. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $192,750,585 because the cost was paid by those who benefited from the programs ($2,715,977) or by other governments and organizations who subsidized certain programs with grants and contributions ($177,938,439). We paid for the remaining "public benefit" portion of our governmental activities with $395,634,838 in State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, instruction-related programs, pupil services, administration, plant services, and interest on long-term obligations, and all other functional expenses. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$ 489,567,397	$ 507,317,115	$ 374,351,555	$ 399,226,938
Pupil services	87,617,575	86,450,833	36,351,525	35,729,793
Administration	76,944,864	46,624,264	70,134,072	41,622,686
Plant services	56,403,895	56,081,863	53,587,988	55,563,788
Interest on long-term obligations	22,456,798	19,830,059	22,456,798	19,830,059
Other	11,054,052	12,126,543	6,508,227	4,373,889
Total	**$ 744,044,581**	**$ 728,430,677**	**$ 563,390,165**	**$ 556,347,153**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $229,808,815, which is a decrease of $12,955,450 from last year (Table 4).

Table 4

	Balances and Activity			
	June 30, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 125,430,931	$ 655,656,023	$ 674,828,476	$ 106,258,478
Special Reserve Fund for Capital Outlay Projects	13,444,742	17,897,766	18,809,300	12,533,208
Charter School Fund	394,989	4,326,221	3,655,393	1,065,817
Child Development Fund	245,280	7,470,195	7,260,215	455,260
Cafeteria Fund	23,196,581	43,256,892	45,449,936	21,003,537
Deferred Maintenance Fund	2,318,591	7,461,604	4,680,144	5,100,051
Building Fund	4,086,923	47,926	4,134,849	-
Capital Facilities Fund	19,123,237	15,110,533	10,067,662	24,166,108
County School Facilities Fund	27,371,158	3,603,569	1,184,795	29,789,932
Capital Projects Fund for Blended Component Units	604,104	611,135	564,441	650,798
Bond Interest and Redemption Fund	22,542,246	100,949,624	98,880,606	24,611,264
Debt Service Fund for Blended Component Units	4,005,483	30,553,857	30,384,978	4,174,362
Total	**$ 242,764,265**	**$ 886,945,345**	**$ 899,900,795**	**$ 229,808,815**

The primary reasons for changes are:

a. The General Fund showed a decrease of $19.2 million.

b. The Cafeteria Fund showed a decrease of $2.19 million.

c. The Deferred Maintenance Fund showed an increase of $2.8 million.

d. The Capital Facilities Fund showed an increase of $5.0 million.

e. The County School Facilities Fund showed an increase of $2.4 million.

f. The Bond Interest and Redemption Fund showed an increase of $2.1 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 87.)

The key differences between the original budget, final budget, and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year, and
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year.
- Settled negotiation with the SAEA bargaining unit for 2017-18 and 2018-19 fiscal years for:
    - an ongoing salary increase of two percent from 2016-17 salary schedules beginning July 1, 2017
    - district’s pay of increased medical premium costs for the months of May and June for 2017-2018 fiscal year
    - a salary increase of all extra-service assignments included in Article VII, section 6 upon ratification of the Tentative Agreement between SAEA and the district
- Settled negotiation with the CSEA bargaining unit for 2017-2018 and 2018-2019 fiscal years for:
    - an ongoing salary increase of two percent from 2016-2017 salary schedules beginning July 1, 2017
    - salary schedule adjustments for Head Start and State Preschool teachers for AA and BA degrees
    - a shift differential pay increase of 0.661 cents per hour for all unit members working on an 8-hour shift whose shift ends at 10:30 pm and $1.095 per hour for those unit members assigned to the graveyard shift

As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $1,044,641,930 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $17,875,717, or 1.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 309,026,973	$ 271,178,723
Buildings and improvements	729,844,712	748,748,109
Furniture and equipment	5,770,245	6,839,381
Total	**$ 1,044,641,930**	**$ 1,026,766,213**

This year's additions of $17.9 million (see Note 5) included several completed construction projects for modernization, and new construction.

Several capital projects are planned for the 2018-2019 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $617,152,275 in long-term obligations versus $612,730,964 last year. The obligations consisted of:

Table 6

	Governmental Activities	
	2018	(as Restated) 2017
General obligation bonds - net (financed with property taxes)	$ 328,271,343	$ 330,638,040
Certificates of participation - net	71,646,289	75,059,674
Qualified zone academy bonds	4,500,000	4,500,000
Construction loan	13,880,775	2,021,163
Career Technical Education facilities program loan	307,216	558,740
Compensated absences	3,392,837	2,946,847
Supplemental early retirement plan	4,840,000	
Claims liability	13,140,448	12,885,320
Net other postemployment benefits (OPEB) liability	177,173,367	184,121,180
Total	**$ 617,152,275**	**$ 612,730,964**

The State limits the amount of general obligation debt that unified school districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $328.3 million is significantly below the statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, compensated absences, other postemployment benefits, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had $653,277,812 in net pension liability versus $578,784,361 last year, an increase of $74,493,451 or 12.9 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- **8th Annual AP District Honor Roll**
  - SAUSD was named to this distinguished list for our commitment to increasing access to AP for underrepresented students while simultaneously maintaining or increasing the percentage of students earning AP Exam scores of three or higher.
  - SAUSD is one of three districts in California who have received this award multiple years while working with an AP student population of 30 percent or more underrepresented minority students and 30 percent or more low-income students.

- **Villa Fundamental Received AVID National Demonstration Site Award**
  - First SAUSD school to join elite group of schools nationwide who model a school wide approach to college readiness through evidence of student achievement, commitment, and synergy school wide.
- **51 SAUSD schools identified California PBIS Exemplar Schools**
  - Adams Elementary School received Platinum, the highest honor
  - 30 schools received Gold
  - 20 schools received Silver
- **WASC Accreditation**
  - REACH – only accredited community day school in the State
    - Accreditation for 3 years through 2020
  - Chavez
    - Accreditation for 6 years through 2023
  - Valley
    - Accreditation for 6 years through 2023
  - Godinez
    - Waiting for decision but received favorable feedback from visitation report
- **Introduced Improvement Science Project –** Networked Improvement Community in 13 sites.
- **Digital Promise**
  - SAUSD was formally inducted into the League of Innovative Schools as a Digital Promise School District.
  - Invitation only membership that recognizes our innovation and streamlining of our practices to create better results for our students.
- **Turning Red Tape into Red Carpet Awards**
  - SAUSD and High School Inc. were recognized by the Orange County Business Council for opening the doors for business growth and success with placement of student internships, job training, and job placement.

- **Middle College High School Named Signature Program**
  - During the California Coalition Early and Middle Colleges Annual Conference, 80 conference attendees toured the school, observed instruction and student engagement, and listened to a student and teacher panel.
- **Recognition at Project Lead the Way State Conference (PLTW)**
  - As a result of the success and growth the District has had with PLTW, the District was invited to attend the conference and present at both the PLTW General Session and at workshop presentations on best practices as a model district of PLTW.
- **We are SAUSD Leadership Conference – 1st Annual**
  - Held first Intermediate School Conference facilitated by high school ASB students to grow and encouragement new leadership with younger students.
- **Circulos - XQ Super School Grant winner**
  - SAUSD received a $2.5 million grant award to support the development of the Circulos program.
  - We currently have three pilot programs serving over 150 students at Century High School, Chavez High School, and Advanced Learning Academy.
- **Santa Ana High School Won Small School Sweepstakes**
  - Speech and Debate Tournament at Bradley Armstrong University
- **Mendez Fundamental Intermediate School Selected to Participate in NASA project**
  - Selected by the Amateur Radio on the International Space Station (ARISS) Team
  - Students will be able to converse with astronauts on the International Space Station via ham radio.
  - The goal is to engage students in STEM and involve them in activities related to space exploration, amateur radio, communications, and areas of study and career.
- ***Increased the District-wide Graduation Rate from 91.7 percent to 92.7 percent**
  - Graduation rate is now higher than both the County (90.8 percent) and State (83.2 percent) Averages
- ***SAUSD Athletic programs continue to dominate their league play and competed in or won State level competitions.**
  - Century –
    - <u>Varsity Girls Cross Country</u>: 2nd Place Orange League & CIF Qualifier;
    - <u>Varsity Girls Volleyball</u>: Orange League Champions & CIF Qualifier; and
    - <u>Varsity Girls Tennis</u>: 2nd Place Orange League & CIF Qualifier.
  - Godinez –
    - <u>Varsity Boys Cross Country</u>: CIF Qualifier;
    - <u>Varsity Girls Cross Country</u>: CIF Qualifier; and
    - <u>Varsity Football</u>: Orange Coast League Champions & CIF Qualifier.

  - Segerstrom –
    - Varsity Girls Cross Country: 2nd Place Golden West League & CIF Qualifier;
    - Varsity Boys Cross Country: 3rd Place Golden West League & CIF Qualifier;
    - Varsity Boys Water Polo: Golden West League Champions;
    - Varsity Girls Tennis: 3rd Place Golden West League (CIF Qualifier);, and
    - Varsity Girls Volleyball: Golden West League Champions.
  - Santa Ana –
    - Varsity Girls Cross Country: Golden West League Champions & Santa Ana City Meet Winners;
    - Varsity Boys Cross Country: Division 1 CIF Prelim Qualifiers & Santa Ana City Meet Winners; and
    - Varsity Football: Golden West League Champions (Back to Back) & CIF Semifinalist.
  - Valley –
    - Varsity Boys Cross Country: 2nd Place Orange League & CIF Qualifier;
    - Varsity Girls Cross Country: 2nd Place Orange League & CIF Qualifier; and
    - Varsity Football: 2nd Place Orange League & CIF Qualifier.

- ***US News and World Report** rated four of our high schools as some of the top in the nation based on their performance on state assessments and how well they prepare students for college.
  - Segerstrom - Silver
  - Godinez - Silver
  - Saddleback- Silver
  - Middle College – Bronze
- ***6 California 2016-17 Gold Ribbon Schools Awarded**
  - Middle College
  - Mac Arthur
  - Lincoln
  - Franklin
  - Walker
  - Greenville
- ***AVID Showcase at Thorpe**
  - Only showcase in Southern California
- ***Orange County CUE Technology Festival at Mendez Fundamental Intermediate School**
  - Over 500 teachers in attendance at Mendez 2/4/17
  - Held at Mendez for the second year in a row 2/3/18 - Over 700 attendees expected
- ***Recommended and Board adopted Academic Calendar that supports student learning and opportunities**
  - Aligned with colleges for better student articulation with summer higher education and internship opportunities

*denotes accomplishments in 2017 but reported in last evaluation in August 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2018-2019 budget was adopted according to the statute prior to June 30, 2018. The District's revenue and expenditure projections are reflective of the Governor's May Revise Budget Proposal. In considering the District Budget for the 2018-2019 year, the Board of Education and District Management used the following criteria:

Revenue:

1. The District's major source of income is from the Local Control Funding Formula (LCFF). LCFF funding consists of Base, Supplemental, and Concentration grants, as well as Targeted Instructional Improvement Block Grant and Home-to School Transportation add-on programs.
2. Projected declining enrollment of -1,528
3. Projected funded ADA of 46,793.64 to calculate LCFF funding
4. LCFF Gap funding of 100 percent
5. Statutory COLA of 3 percent
6. Unduplicated count of 88.15 percent
7. LCFF Transfers to Deferred Maintenance Fund
8. Increased contribution to Ongoing and Major Maintenance Account
9. One-time Funds for Outstanding Mandate Claims
10. Mandated Block Grant
11. SELPA service billing to charter schools

Expenditures were based on the following:

1. One percent off-schedule pay for certificated, classified, and management
2. Step and column increase
3. Full-year cost of vacant positions
4. Increased work hours of two for Special Education Instructional Assistants from 3.75 hours to 5.75 and one for LVNs from 5 hours to 6 plus medical beneifts
5. Increased salary for AA and BA degrees for Head Start and State Preschool teachers
6. Increased work year to 10.5 months for Elementary and Intermediate Library Media Technicians
7. A salary range shift of Computer Tech to Computer Tech II from grade 28 to 33
8. A salary range shift of HVAC Mechanic II from grade 36 to 40
9. Increased costs for STRS/PERS and Health and Welfare
10. Increased Special Education costs
11. Removal of one-time expenditures
12. Removal of Educator Effectiveness Grant which was expired as of June 30, 2018
13. Removal of carryover, however, it will be budgeted when the actual amounts are known
14. Removal of interfund transfers to Special Reserve Fund for Postemployment Benefits and a reduction of interfund transfers to 2007 COP due to refinancing

Staffing ratios:

	Staffing Ratio	Enrollment
Transitional Kindergarten	29:1	760
Kindergarten	29:1	3,069
Grade one	29:1	3,431
Grade two	29:1	3,293
Grade three	29:1	3,362
Grades four through five	29:1	7,267
Grades six through eight	35:1	11,140
Grades nine through twelve	36:1	14,476

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 the Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322.

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 311,686,158
Receivables	30,584,777
Prepaid expenses	88,412
Stores inventories	1,546,801
Capital Assets	
Land and construction in process	309,026,973
Other capital assets	975,452,954
Less: accumulated depreciation	(239,837,997)
Total Capital Assets	1,044,641,930
Total Assets	1,388,548,078
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	49,622,006
Deferred outflows of resources related to pensions	200,608,412
Total Deferred Outflows of Resources	250,230,418
LIABILITIES	
Accounts payable	59,050,596
Accrued interest payable	2,673,083
Unearned revenue	17,820,527
Long-Term Obligations:	
Current portion of long-term obligations other than pensions	23,266,204
Noncurrent portion of long-term obligations other than pensions	593,886,071
Total Long-Term Obligations	617,152,275
Aggregate net pension liability	653,277,812
Total Liabilities	1,349,974,293
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on refunding	1,054,397
Deferred inflows of resources related to pensions	41,492,888
Total Deferred Inflows of Resources	42,547,285
NET POSITION	
Net investment in capital assets	708,320,263
Restricted for:	
Debt service	26,112,543
Capital projects	58,544,435
Educational programs	29,542,169
Other activities	44,340,674
Unrestricted	(620,603,166)
Total Net Position	$ 246,256,918

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

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities:					
Instruction	$ 419,323,545	$ 986,175	$ 95,683,342	$ 3,603,570	$ (319,050,458)
Instruction-related activities:					
Supervision of instruction	27,116,821	44,952	11,348,017	-	(15,723,852)
Instructional library, media, and technology	4,129,078	79	336,716	-	(3,792,283)
School site administration	38,997,953	13,366	3,199,625	-	(35,784,962)
Pupil services:					
Home-to-school transportation	12,337,650	-	-	-	(12,337,650)
Food services	41,130,965	893,354	39,411,257	-	(826,354)
All other pupil services	34,148,960	91,015	10,870,424	-	(23,187,521)
Administration:					
Data processing	5,525,496	3,214	6,425	-	(5,515,857)
All other administration	71,419,368	46,609	6,754,544	-	(64,618,215)
Plant services	56,403,895	6,526	2,809,381	-	(53,587,988)
Ancillary services	6,130,701	1,098	153,521	-	(5,976,082)
Community services	142,747	-	-	-	(142,747)
Enterprise services	231,882	5,926	233,857	-	7,901
Interest on long-term obligations	22,456,798	-	-	-	(22,456,798)
Other outgo	4,548,722	623,663	3,527,760	-	(397,299)
Total Governmental Activities	$ 744,044,581	$ 2,715,977	$ 174,334,869	$ 3,603,570	(563,390,165)
	General revenues and subventions:				
	Property taxes, levied for general purposes				167,802,388
	Property taxes, levied for debt service				20,828,197
	Taxes levied for other specific purposes				4,120,000
	Federal and State aid not restricted to specific purposes				372,146,468
	Interest and investment earnings				2,780,842
	Miscellaneous				20,707,528
	Subtotal, General Revenues				588,385,423
	Change in Net Position				24,995,258
	Net Position - Beginning, as Restated				221,261,660
	Net Position - Ending				$ 246,256,918

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

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 147,842,655	$ 23,935,763	$ 108,149,318	$ 279,927,736
Receivables	21,005,764	315,462	8,282,081	29,603,307
Due from other funds	5,981,409	103,394	5,967,799	12,052,602
Prepaid expenditures	87,653	-	759	88,412
Stores inventories	804,883	-	741,918	1,546,801
Total Assets	$ 175,722,364	$ 24,354,619	$ 123,141,875	$ 323,218,858
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 49,340,493	$ 389,671	$ 5,410,210	$ 55,140,374
Due to other funds	11,297,569	2,437,037	6,714,536	20,449,142
Unearned revenue	8,825,824	8,994,703	-	17,820,527
Total Liabilities	69,463,886	11,821,411	12,124,746	93,410,043
Fund Balances:				
Nonspendable	1,042,536	-	748,625	1,791,161
Restricted	28,021,092	4,588,395	105,168,453	137,777,940
Committed	45,564,822	-	5,100,051	50,664,873
Assigned	10,921,627	7,944,813	-	18,866,440
Unassigned	20,708,401	-	-	20,708,401
Total Fund Balances	106,258,478	12,533,208	111,017,129	229,808,815
Total Liabilities and Fund Balances	$ 175,722,364	$ 24,354,619	$ 123,141,875	$ 323,218,858

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

SANTA ANA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 229,808,815**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,284,479,927	
Accumulated depreciation is	(239,837,997)	
Net Capital Assets		1,044,641,930
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,673,083)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		24,085,762
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		(1,054,397)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	52,825,320	
Net change in proportionate share of net pension liability	19,308,149	
Difference between projected and actual earnings on pension plan investments	6,265,505	
Differences between expected and actual experience in the measurement of the total pension liability	8,152,867	
Changes of assumptions	114,056,571	
Total Deferred Outflows of Resources Related to Pensions		200,608,412

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

SANTA ANA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (18,518,942)	
Difference between projected and actual earnings on pension plan investments	(12,587,252)	
Differences between expected and actual experience in the measurement of the total pension liability	(8,252,891)	
Changes of assumptions	(2,133,803)	
Total Deferred Inflows of Resources Related to Pensions		$ (41,492,888)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to the measurement date.		49,622,006
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(653,277,812)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	247,026,074	
Premium on issuance of bonds	16,624,905	
Certificates of participation	51,437,081	
Premium on issuance of certificates	2,449,233	
Qualified zone academy bonds	4,500,000	
Compensated absences (vacations)	3,392,837	
Supplemental early retirement plan (SERP)	4,840,000	
Construction loan	13,880,775	
Career Technical Education facilities program loan	307,216	
Net other postemployment benefits (OPEB) liability	177,173,367	
In addition, the District has issued 'capital appreciation' general obligation bonds and certificates of participation. The accretion of interest on those bonds and certificates to date is the following:	82,380,339	
Total Long-Term Obligations		(604,011,827)
Total Net Position - Governmental Activities		**$ 246,256,918**

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

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES		
Local Control Funding Formula	$ 510,195,822	$ -
Federal sources	49,351,981	-
Other State sources	88,691,445	3,131,806
Other local sources	7,416,775	554,685
Total Revenues	655,656,023	3,686,491
EXPENDITURES		
Current		
Instruction	413,960,619	-
Instruction-related activities:		
Supervision of instruction	26,551,222	-
Instructional library, media, and technology	4,314,940	-
School site administration	40,091,212	-
Pupil services:		
Home-to-school transportation	12,359,877	-
Food services	1,416,178	-
All other pupil services	33,920,396	-
Administration:		
Data processing	5,933,259	-
All other administration	62,932,376	-
Plant services	53,218,618	428,059
Ancillary services	7,275,113	-
Community services	152,507	-
Other outgo	5,067,718	-
Enterprise services	24,941	-
Facility acquisition and construction	1,707,034	15,610,266
Debt service		
Principal	251,524	-
Interest and other	5,613	77,625
Total Expenditures	669,183,147	16,115,950
Excess (Deficiency) of Revenues Over Expenditures	(13,527,124)	(12,429,459)
Other Financing Sources (Uses)		
Transfers in	-	1,232,438
Other sources - proceeds from issuance of general obligation bonds	-	-
Other sources - proceeds from issuance of certificates of participation	-	-
Other sources - proceeds from construction loan	-	12,978,837
Transfers out	(5,645,329)	(2,693,350)
Other uses - payment to refunded bond escrow agent	-	-
Net Financing Sources (Uses)	(5,645,329)	11,517,925
NET CHANGE IN FUND BALANCES	(19,172,453)	(911,534)
Fund Balances - Beginning	125,430,931	13,444,742
Fund Balances - Ending	$ 106,258,478	$ 12,533,208

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

Non-Major Governmental Funds	Total Governmental Funds
$ 10,714,049	$ 520,909,871
39,597,740	88,949,721
13,668,000	105,491,251
40,186,878	48,158,338
104,166,667	763,509,181
7,924,186	421,884,805
623,628	27,174,850
-	4,314,940
792,037	40,883,249
-	12,359,877
42,733,394	44,149,572
495,429	34,415,825
-	5,933,259
3,178,268	66,110,644
4,532,813	58,179,490
6,074	7,281,187
-	152,507
-	5,067,718
255,949	280,890
14,547,201	31,864,501
16,524,225	16,775,749
13,365,239	13,448,477
104,978,443	790,277,540
(811,776)	(26,768,359)
9,012,697	10,245,135
78,576,284	78,576,284
21,635,908	21,635,908
-	12,978,837
(1,906,456)	(10,245,135)
(99,378,120)	(99,378,120)
7,940,313	13,812,909
7,128,537	(12,955,450)
103,888,592	242,764,265
$ 111,017,129	$ 229,808,815

SANTA ANA UNIFIED 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, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (12,955,450)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 37,848,250	
Depreciation expense	(19,972,533)	
Net Expense Adjustment		17,875,717
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were less than the amounts earned by $4,840,000. Vacation earned was more than the amounts used by $445,990.		(5,285,990)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(28,164,320)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		56,569,819
Proceeds received from certificates of participation refunding bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(19,165,000)
Proceeds received from general obligation refunding bonds is a revenue, in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(66,985,000)
Proceeds received from construction loan is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(12,978,837)

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

SANTA ANA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Governmental funds report the effect of premiums and deferred charges on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance	$ (14,062,192)	
Deferred charge on refunding	(1,065,365)	
Combined Adjustment		$ (15,127,557)
Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	3,651,486	
Amortization of deferred charge on refunding	(463,553)	
Combined Adjustment		3,187,933
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	87,260,000	
Certificates of participation	25,640,000	
Construction loan	1,119,225	
CTE facilities program loan	251,524	
Combined Adjustment		114,270,749
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by $1,311,443, and second, $10,559,212 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.		(9,247,769)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change of the Internal Service Fund is reported with governmental activities.		3,000,963
Change in Net Position of Governmental Activities		**$ 24,995,258**

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 31,758,422
Receivables	981,470
Due from other funds	8,396,540
Total Current Assets	41,136,432
LIABILITIES	
Current Liabilities	
Accounts payable	3,910,222
Current portion of long-term obligations	3,859,848
Total Current Liabilities	7,770,070
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	9,280,600
NET POSITION	
Restricted	24,085,762
Total Net Position	$ 24,085,762

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 23,029,819
OPERATING EXPENSES	
Payroll costs	12,036,292
Supplies and materials	462,123
Facility rental	85,394
Other operating cost	7,904,644
Total Operating Expenses	20,488,453
Operating Income	2,541,366
NONOPERATING REVENUES	
Interest income	459,597
Change in Net Position	3,000,963
Total Net Position - Beginning	21,084,799
Total Net Position - Ending	$ 24,085,762

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 24,382,839
Other operating cash receipts	183,186
Cash payments to other suppliers of goods or services	2,499,924
Cash payments to employees for services	(20,546,428)
Other operating cash payments	(7,649,516)
Net Cash Used by Operating Activities	(1,129,995)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	459,597
Net decrease in cash and cash equivalents	(670,398)
Cash and cash equivalents - Beginning	32,428,820
Cash and cash equivalents - Ending	$ 31,758,422
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	$ 2,541,366
Changes in assets and liabilities:	
Receivables	(165,448)
Due from other funds	1,701,654
Prepaid expenditures	148,749
Accounts payable	2,898,692
Due to other fund	(8,510,136)
Claims liability	255,128
NET CASH USED BY OPERATING ACTIVITIES	$ (1,129,995)

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 3,337,231
LIABILITIES	
Due to student groups	$ 1,850,357
Due to bondholders	1,486,874
Total Liabilities	$ 3,337,231

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 36 elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high schools.

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

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. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations.

The Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation and qualified zone academy bonds issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

On August 24, 2004, the District voted to establish Community Facilities District (CFD) No. 2004-1 and to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition, and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and is not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, Orange County High School of the Arts, and Advanced Learning Academy pursuant to *Education Code* Section 47605. The Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, Orange County High School of the Arts are direct-funded and are not considered component units of the District. The Charter Schools are independent of the District, but subject to periodic charter renewal by the District. The Advanced Learning Academy is operated by the District, and its financial activity is presented in the Charter School Fund.

Basis of Presentation Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Other Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund function effectively as extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $310,897.

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

Non-Major Governmental Funds

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

Charter School Fund The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing Districts General Fund.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a property and liability, dental, vision, and workers' compensation self-insurance fund that is accounted for in an internal service fund.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2018, 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 investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefit period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long - Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In 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 governmental funds.

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding and for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Stabilization Arrangement

In fiscal year 2010-2011, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, seven percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2018, $45,564,822 of the fund balance for the General Fund is reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $158,539,821 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$	311,686,158
Fiduciary funds		3,337,231
Total Deposits and Investments	$	315,023,389

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$	3,715,367
Cash in revolving		855,948
Investments		310,452,074
Total Deposits and Investments	$	315,023,389

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds and Notes	N/A	None	None
Registered State Bonds and Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Farmer Credit System Bonds and Notes	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federtal Home Loan Bank System Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Obligations	N/A	None	None
U.S. Maritime Administration Obligations	N/A	None	None
U.S. Department of Housing and Urban Development Bonds and Notes	N/A	None	None
Money Market Funds	N/A	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	180 days	None	None
Commercial Paper	270 days	None	None
Federal Funds and Bankers Acceptance	365 days	None	None
Repurchase Agreement	30 days	None	None
Investment Agreement	N/A	None	None
Prefunded Municipal Bonds	N/A	None	None
State Investment Fund	N/A	None	None

Interest Rate Risk

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

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

Investment Type	Reported Amount	Average Maturity in Days/ Maturity Date
Orange County Treasury Investment Pool	$ 306,301,218	302 days
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	131,686	4 days
Invesco Government and Agency Money Market Fund	1,826	28 days
Natixis Commercial Paper	4,017,344	10/29/18
Total	$ 310,452,074	

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. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the Orange County Treasury Investment Pool is not required to rated, nor has it been rated as of June 30, 2018. The investment in Dreyfus Institutional Treasury & Agency Cash Advantage Fund, Invesco Government and Agency Money Market Fund, and Natixis Commercial Paper have been rated Aaa-mf, Aaa-mf, and P-1, respectively, by Moody's rating service as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of $2,371,549 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in Natixis Commercial Paper of $4,017,344, the District has a custodial credit risk exposure of $4,017,344 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Orange County Treasury Investment Pool	$ 306,301,218	$ -	$ 306,301,218
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	131,686	131,686	-
Invesco Government and Agency Money Market Fund	1,826	1,826	-
BNP Paribas Fortis New	4,017,344	4,017,344	-
Total	$ 310,452,074	$ 4,150,856	$ 306,301,218

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 11,156,901	$ -	$ 5,261,782	$ -	$ 16,418,683
State Government					
Categorical aid	2,327,344	-	1,677,746	-	4,005,090
Lottery	1,790,806	-	35,581	-	1,826,387
Local Government					
Interest	167,022	22,609	163,760	51,971	405,362
City of Santa Ana	-	-	1,006,810	-	1,006,810
Other LEA	1,223,324	-	-	-	1,223,324
Other Local Sources	4,340,367	292,853	136,402	929,499	5,699,121
Total	$ 21,005,764	$ 315,462	$ 8,282,081	$ 981,470	$ 30,584,777

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 136,172,405	$ -	$ -	$ 136,172,405
Construction in progress	135,006,318	37,848,250	-	172,854,568
Total Capital Assets Not Being Depreciated	271,178,723	37,848,250	-	309,026,973
Capital Assets Being Depreciated:				
Land improvements	24,920,609	-	-	24,920,609
Buildings and improvements	936,423,135	-	-	936,423,135
Furniture and equipment	14,109,210	-	-	14,109,210
Total Capital Assets Being Depreciated	975,452,954	-	-	975,452,954
Total Capital Assets	1,246,631,677	37,848,250	-	1,284,479,927
Less Accumulated Depreciation:				
Land improvements	19,605,488	518,830	-	20,124,318
Buildings and improvements	192,990,147	18,384,567	-	211,374,714
Furniture and equipment	7,269,829	1,069,136	-	8,338,965
Total Accumulated Depreciation	219,865,464	19,972,533	-	239,837,997
Governmental Activities Capital Assets, Net	$ 1,026,766,213	$ 17,875,717	$ -	$ 1,044,641,930

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

Governmental Activities	
Instruction	$ 14,460,114
Supervision of instruction	958,682
All other pupil services	1,098,489
All other administration	1,378,105
Plant services	2,077,143
Total Depreciation Expenses Governmental Activities	$ 19,972,533

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From			
Due To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 133,151	$ 5,848,258	$ 5,981,409
Special Reserve Fund for Capital Outlay Projects	40,000	-	63,394	103,394
Non-Major Governmental Funds	3,271,190	2,303,886	392,723	5,967,799
Internal Service Fund	7,986,379	-	410,161	8,396,540
Total	$ 11,297,569	$ 2,437,037	$ 6,714,536	$ 20,449,142

A balance of $694,162 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $371,973 due to the General Fund from the Charter School Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $2,265,661 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of operating costs.

A balance of $9,427 due to the General Fund from the Deferred Maintenance Non-Major Governmental Fund resulted from reimbursement of deferred maintenance projects.

A balance of $575,758 due to the General Fund from the Debt Service Non-Major Governmental Fund for Blended Component Units resulted from reimbursement of excess contributions for the certificate of participation debt service payments.

A balance of $975,075 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of in-lieu property taxes.

A balance of $297,785 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of various categorical funds.

A balance of $1,979,326 due to the Deferred Maintenance Non-Major Governmental Fund from the General Fund is for contributions for the artificial project at the Early Learning Plans Parent Center.

The balance of $392,723 due to the County School Facilities Non-Major Governmental Fund from the Building Non-Major Governmental Fund resulted from reimbursement of project costs.

A balance of $4,877,785 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

A balance of $3,108,594 due to the Internal Service Fund from the General Fund resulted from a temporary loan.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From			
Transfer To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Fund	Total
Special Reserve Fund for Capital Outlay Projects	$ 1,232,438	$ -	$ -	$ 1,232,438
Non-Major Governmental Funds	4,412,891	2,693,350	1,906,456	9,012,697
Total	$ 5,645,329	$ 2,693,350	$ 1,906,456	$ 10,245,135

The General Fund transferred to the Charter School Non-Major Governmental Fund for charter school expansion.	$ 215,482
The General Fund transferred to the Charter School Non-Major Governmental Fund for allocation of various categorical funds.	297,785
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for savings resulting from the solar energy project.	1,232,438
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	3,899,624
The Special Reserve Fund for Capital Outlay Projects transferred to the Capital Facilities Non-Major Governmental Fund for reimbursement of project costs.	1,256,831
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for future debt service payments.	1,436,519
The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for the reimbursement of interest payment on lease.	1,351,088
The Capital Project Non-Major Governmental Fund for Blended Component Units transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units the remaining balance of the projects fund.	555,368
Total	$ 10,245,135

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 18,517,574	$ 33	$ 1,473,398	$ 3,565,390	$ 23,556,395
LCFF apportionment	10,960,354	-	12,132	-	10,972,486
Books and supplies	10,870,834	-	1,741,781	344	12,612,959
Services and other operating payables	6,399,000	816	393,539	342,519	7,135,874
Construction	1,104,597	387,965	1,729,858	-	3,222,420
Due to other LEAs	1,470,185	-	-	-	1,470,185
Vendor payables	17,949	857	59,502	1,969	80,277
Total	$ 49,340,493	$ 389,671	$ 5,410,210	$ 3,910,222	$ 59,050,596

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Activities
Federal financial assistance	$ 22,585	$ -	$ 22,585
State categorical aid	8,420,150	8,994,703	17,414,853
Other local	383,089	-	383,089
Total	$ 8,825,824	$ 8,994,703	$ 17,820,527

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	(as Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 323,042,817	$ 75,863,621	$ 87,260,000	$ 311,646,438	$ 13,005,000
Premium on issuance	7,595,223	11,591,284	2,561,602	16,624,905	-
Certificates of participation	73,991,465	20,845,591	25,640,000	69,197,056	4,080,000
Premium on issuance	1,068,209	2,470,908	1,089,884	2,449,233	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Construction loan	2,021,163	12,978,837	1,119,225	13,880,775	1,199,748
Career Technical Education facilities program loan	558,740	-	251,524	307,216	153,608
Compensated absences	2,946,847	445,990	-	3,392,837	-
Supplemental early retirement plan (SERP)	-	4,840,000	-	4,840,000	968,000
Claims liability	12,885,320	4,114,976	3,859,848	13,140,448	3,859,848
Net other postemployment benefits (OPEB) liability	184,121,180	14,907,495	21,855,308	177,173,367	-
	$ 612,730,964	$ 148,058,702	$ 143,637,391	$ 617,152,275	$ 23,266,204

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made by the Debt Service Fund for Blended Component Units. Construction loan will be paid by the Special Reserve Fund for Capital Outlay of Project. Career Technical Education facilities program loan will be paid by the General Fund. The accrued vacation will be paid by the fund for which the employees worked. The supplemental early retirement plan (SERP) will be paid by the General Fund. The claims liability is paid from the Internal Service Fund. Net other postemployment benefits (OPEB) liability are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
10/30/02	08/01/32	2.68-5.53%	$ 50,828,156	$ 43,216,322	$ -	$ 2,257,578	$ 3,515,000	$ 41,958,900
08/06/08	08/01/33	3.50-5.51%	99,997,856	94,949,138	-	1,451,313	78,675,000	17,725,451
11/12/09	08/01/29	3.00-4.25%	49,775,000	36,810,000	-	-	2,210,000	34,600,000
11/20/09	08/01/47	6.54-7.337%	34,861,114	59,233,266	-	-	-	59,233,266
11/20/09	09/15/26	5.91%	19,240,000	19,240,000	-	4,597,976	-	23,837,976
12/02/10	08/01/20	3.00-5.00%	8,591,011	6,104,091	-	571,754	1,465,000	5,210,845
12/02/10	08/01/28	6.45%	17,535,000	17,535,000	-	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	7,660,000	-	-	1,150,000	6,510,000
09/19/12	08/01/32	2.00-3.40%	19,720,000	18,520,000	-	-	245,000	18,275,000
04/18/18	08/01/33	3.00-5.00%	66,985,000	-	66,985,000	-	-	66,985,000
				$ 323,042,817	$ 66,985,000	$ 8,878,621	$ 87,260,000	$ 311,646,438

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of $50,828,156 (accreting to $110,565,000 at maturity) in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.68 to 5.53 percent. At June 30, 2018, the principal balance outstanding was $41,958,900 (including accreted interest to date).

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued $94,235,000 in current interest bonds and $5,762,856 in capital appreciation bonds (accreting to $22,700,000 at maturity) with an original premium of $6,022,280. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2033, with interest rate yields ranging from 3.50 to 5.51 percent. At June 30, 2018, the principal balance outstanding was $17,725,451 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2018, was $1,686,240.

2009 General Obligation Refunding Bonds

On November 12, 2009, the District issued $49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity to occur on August 1, 2029, with interest rate yields ranging from 3.0 to 4.25 percent. At June 30, 2018, the principal balance outstanding was $34,600,000.

2008 General Obligation Bonds, Series B

On November 20, 2009, the District issued capital appreciation bonds in the amount of $34,861,114 (accreting to $418,255,000 at maturity) with an original premium of $1,809,422. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2047, with interest rate yields ranging from 6.54 to 7.337 percent. At June 30, 2018, the principal balance outstanding was $59,233,266 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2018, was $1,404,684.

2008 General Obligation Bonds, Series C

On November 20, 2009, the District issued $19,240,000 in qualified school construction bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on September 15, 2026, with an interest rate yield of 5.91 percent. At June 30, 2018, the principal balance outstanding was $23,837,976.

2008 General Obligation Bonds, Series D, Series E, Series F

On December 2, 2010, the District issued $6,445,000 in current interest bonds and $2,146,011 (accreting to $5,875,000 at maturity) in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2020, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding was $5,210,845 (including accreted interest to date).

On December 2, 2010, the District issued $17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2028, with an interest rate yield of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2018, the principal balance outstanding was $17,535,000. Unamortized premium received on the bonds as of June 30, 2018 was $1,791,412.

On December 2, 2010, the District issued $19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2041, with interest rate yields ranging from 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2018, the principal balance outstanding was $19,775,000.

2010 General Obligation Refunding Bonds

On December 2, 2010, the District issued $12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2022, with interest rate yields ranging from 2.50 to 5.00 percent. At June 30, 2018, the principal balance outstanding was $6,510,000. Unamortized premium received on the bonds as of June 30, 2018 was $344,473.

2012 General Obligation Refunding Bonds

On September 19, 2012, the District issued $19,720,000 in current interest bonds. The bonds were issued for the purpose of refunding $19,050,000 of the District's outstanding 1999 General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.00 to 3.40 percent. At June 30, 2018, the principal balance outstanding was $18,275,000.

2018 General Obligation Refunding Bonds

On April 18, 2018, the District issued $66,985,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $94,235,000 of the District's outstanding Election of 2008, General Obligation Bonds, Series A. The refunding resulted in a cumulative cash flow savings of $22,787,783 over the life of the new debt and an economic gain of $17,774,762 based on the difference between present value of the existing debt service requirements and the new debt service requirements discounted at 2.59 percent. The bonds have a final maturity to occur on August 1, 2033, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding was $66,985,000. Unamortized premium received on the bonds as of June 30, 2018 was $11,398,096.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest at Maturity	Total
2019	$ 12,919,233	$ 85,767	$ 7,336,319	$ 20,341,319
2020	11,698,503	881,497	8,001,284	20,581,284
2021	11,599,132	1,585,868	7,839,434	21,024,434
2022	11,755,357	1,679,643	7,664,501	21,099,501
2023	11,918,813	2,201,187	7,475,275	21,595,275
2024-2028	86,451,989	9,793,011	33,030,361	129,275,361
2029-2033	84,267,268	26,412,732	15,216,871	125,896,871
2034-2038	34,443,030	58,746,970	4,317,805	97,507,805
2039-2043	27,834,142	145,815,858	1,426,760	175,076,760
2044-2048	18,758,971	138,416,029	-	157,175,000
Total	$ 311,646,438	$ 385,618,562	$ 92,308,610	$ 789,573,610

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2017	Issued	Accreted	Redeemed	Outstanding June 30, 2018
10/1/99	04/01/36	3.60-6.25%	$ 17,691,700	$ 26,856,465	$ -	$ 1,680,591	$ 2,220,000	$ 26,317,056
5/1/07	04/01/37	3.56-4.41%	29,725,000	22,155,000	-	-	22,155,000	-
12/5/12	12/01/35	4.25-5.20%	30,000,000	24,980,000	-	-	1,265,000	23,715,000
4/25/18	04/01/37	3.50-5.00%	19,165,000	-	19,165,000	-	-	19,165,000
				$ 73,991,465	$ 19,165,000	$ 1,680,591	$ 25,640,000	$ 69,197,056

1999 Certificates of Participation

On October 1, 1999, the Corporation issued the 1999 Certificates of Participation in the amount of $17,691,700 with interest rate yields ranging from 3.60 to 6.25 percent. The certificates have a final maturity to occur on April 1, 2036. These certificates were issued for the construction of two elementary schools. At June 30, 2018, the principal balance outstanding was $26,317,056, including accreted interest on the capital appreciation certificates.

2007 Certificates of Participation

On May 1, 2007, the Corporation issued the 2007 Certificates of Participation in the amount of $29,725,000 with interest rate yields ranging from 3.56 to 4.41 percent. The certificates have a final maturity to occur on April 1, 2037. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2018, the 2007 Certificate of Participation were fully defeased.

2012 Certificates of Participation

On December 5, 2012, the Corporation issued the 2012 Certificates of Participation in the amount of $30,000,000, pursuant to a lease agreement with the District and the Santa Ana Unified School District Public Facilities Corporation, with interest rate yields ranging from 4.25 to 5.20 percent. The certificates have a final maturity to occur on December 1, 2035. The certificates were issued to implement certain District's facilities projects. At June 30, 2018, the principal balance outstanding was $23,715,000.

2018 Refunding Certificates of Participation

On April 25, 2018, the Corporation issued the 2018 Refunding Certificates of Participation in the amount of $19,165,000 with interest rate yields ranging from 3.5 to 5.0 percent. The certificates have a have a final maturity to occur on April 1, 2037. The certificates were issued to refund the 2007 Certificates of Participation. The refunding resulted in a cumulative cash flow savings of $22,787,783 over the life of the new debt and an economic gain of $17,774,762 based on the difference between present value of the existing debt service requirements and the new debt service requirements discounted at 2.59 percent. At June 30, 2018, the principal balance outstanding was $19,165,000. Unamortized premium received on the certificates of participation as of June 30, 2018 was $2,449,233.

Debt Service Requirements to Maturity

The certificates of participation mature through 2037 as follows:

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2019	$ 3,947,204	$ 132,796	$ 1,850,872	$ 5,930,872
2020	3,779,659	920,341	1,910,524	6,610,524
2021	3,747,087	892,913	1,840,030	6,480,030
2022	3,717,990	867,010	1,764,024	6,349,024
2023	3,702,370	842,630	1,686,555	6,231,555
2024-2028	18,473,174	7,416,826	7,222,806	33,112,806
2029-2033	19,314,684	8,390,316	4,567,425	32,272,425
2034-2037	12,514,888	1,855,112	1,203,120	15,573,120
Total	$ 69,197,056	$ 21,317,944	$ 22,045,356	$ 112,560,356

Qualified Zone Academy Bonds

In October 2005, the District issued $4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. The annual base rental payment of $230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2018, the principal balance outstanding was $4,500,000.

Construction Loan

In December 2016, the District obtained a long-term loan to fund various construction and modernization projects. The loan will mature on December 1, 2026, with interest rate of 2.29 percent. At June 30, 2018, the outstanding balance on the loan was $13,880,775.

Year Ending June 30,	Principal
2019	$ 1,199,748
2018	1,280,973
2019	1,362,290
2020	1,453,749
2021	1,545,313
2022-2027	7,038,702
	$ 13,880,775

Career Technical Education Facilities Program Loan

The District obtained a long-term loan to fund various startup costs of the career technical education program. At June 30, 2018, the outstanding balance on the loan was $307,216.

Year Ending June 30,	Principal
2019	$ 153,608
2020	153,608
	$ 307,216

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2018, amounted to $3,392,837.

Supplemental Early Retirement Plan

The District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (PARS) during the current fiscal year. The plan was offered to eligible employees who retired on or before June 30, 2018. The District purchased an annuity through PARS for the employees. Benefit payments are scheduled to be paid over 5 years beginning July 1, 2018. Future payments are as follows:

Year Ending June 30,	Total
2019	$ 968,000
2020	968,000
2021	968,000
2022	968,000
2023	968,000
Total	$ 4,840,000

Claims Liability

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $13,140,448 were discounted at a rate of 0.5 percent and were accepted as estimated by the District's administrator. See Note 12 for additional details.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 173,280,872	$ 49,622,006	$ 6,445,731
Medicare Premium Payment (MPP) Program	3,892,495	-	(502,082)
Total	$ 177,173,367	$ 49,622,006	$ 5,943,649

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Santa Ana Unified School District's Postemployment Benefits Plan – a single-employer defined benefit plan that is used to provide other postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for CalPERS can be found on the CalPERS website at https://www.calpers.ca.gov/page/forms-publications.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	744
Active employees	3,922
	4,666

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Santa Ana Educators' Association (SAEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, SAEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $49,622,006 to the Plan, of which $9,622,006 was used for current premiums and $40,000,000 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of $173,280,872 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 183,465,564
Plan fiduciary net position	(10,184,692)
District's net OPEB liability	$ 173,280,872
Plan fiduciary net position as a percentage of the total OPEB liability	5.55%

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Investment rate of return	6.00	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	percent for 2017

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	$ 179,726,603	$ -	$ 179,726,603
Service cost	4,331,230	-	4,331,230
Interest	10,574,943	-	10,574,943
Contributions-employer	-	21,167,212	(21,167,212)
Net investment income	-	186,014	(186,014)
Benefit payments	(11,167,212)	(11,167,212)	-
Administrative expense	-	(1,322)	1,322
Net change in total OPEB liability	3,738,961	10,184,692	(6,445,731)
Balance at June 30, 2017	$ 183,465,564	$ 10,184,692	$ 173,280,872

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.0%)	$ 189,657,232
Current discount rate (6.0%)	173,280,872
1% increase (7.0%)	158,835,992

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 159,081,191
Current healthcare cost trend rate (4.0%)	173,280,872
1% increase (5.0%)	188,623,722

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $6,445,731. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $49,622,006.

The deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $3,892,495 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.9252 percent, and 0.9390 percent, resulting in a net decrease in the proportionate share of 0.0.0138 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(502,082).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 4,309,264
Current discount rate (3.58%)	3,892,495
1% increase (4.58%)	3,487,100

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 3,517,466
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	3,892,495
1% increase (4.7% Part A and 5.1% Part B)	4,263,780

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $7,340,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 150,000	$ -	$ 5,948	$ 155,948
Stores inventories	804,883	-	741,918	1,546,801
Prepaid expenditures	87,653	-	759	88,412
Total Nonspendable	1,042,536	-	748,625	1,791,161
Restricted				
Legally restricted programs	28,021,092	-	1,521,077	29,542,169
Cafeteria program	-	-	20,254,912	20,254,912
Capital projects	-	4,588,395	54,606,838	59,195,233
Debt services	-	-	28,785,626	28,785,626
Total Restricted	28,021,092	4,588,395	105,168,453	137,777,940
Committed				
Stabilization	45,564,822	-	-	45,564,822
Deferred maintenance program	-	-	5,100,051	5,100,051
Total Committed	45,564,822	-	5,100,051	50,664,873
Assigned				
Capital projects	-	7,944,813	-	7,944,813
NJROTC	47,618	-	-	47,618
Civic Center	484,721	-	-	484,721
Godinez rental fees	78,283	-	-	78,283
One-time discretionary funds	3,900,068	-	-	3,900,068
Furniture and equipment for ALA	292,618	-	-	292,618
Early learning	2,329,401	-	-	2,329,401
Walker and Roosevelt joint use	50,000	-	-	50,000
Enterprise resource planning	1,978,003	-	-	1,978,003
Specialized spaces	1,450,018	-	-	1,450,018
Other postemmployment benefits	310,897	-	-	310,897
Total Assigned	10,921,627	7,944,813	-	18,866,440
Unassigned				
Reserve for economic uncertainties	13,018,521	-	-	13,018,521
Remaining unassigned	7,689,880	-	-	7,689,880
Total Unassigned	20,708,401	-	-	20,708,401
Total	$ 106,258,478	$ 12,533,208	$ 111,017,129	$ 229,808,815

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a $1 million self-insured retention (SIR), and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to $5 million. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 15 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2018:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2016	$ 12,881,374	$ 832,422	$ 13,713,796
Claims and changes in estimates	1,896,332	86,913	1,983,245
Claims payments	(2,392,889)	(418,832)	(2,811,721)
Liability Balance, June 30, 2017	12,384,817	500,503	12,885,320
Claims and changes in estimates	3,904,576	210,400	4,114,976
Claims payments	(3,475,795)	(384,053)	(3,859,848)
Liability Balance, June 30, 2018	$ 12,813,598	$ 326,850	$ 13,140,448
Assets available to pay claims at June 30, 2018	$ 28,170,561	$ 381,939	$ 28,552,500

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 472,622,449	$ 142,601,912	$ 37,675,820	$ 48,511,882
CalPERS	177,755,962	56,692,046	3,448,657	32,180,475
CalPERS - Safety Risk Pool	2,899,401	1,314,454	368,411	(105,258)
Total	$ 653,277,812	$ 200,608,412	$ 41,492,888	$ 80,587,099

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $37,644,921.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

Districts's proportionate share of net pension liability	$ 472,622,449
State's proportionate share of the net pension liability associated with the District	279,599,448
Total	$ 752,221,897

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.5111 percent and 0.5280 percent, resulting in a net decrease in the proportionate share of 0.0169 percent.

For the year ended June 30, 2018, the District recognized pension expense of $48,511,882. In addition, the District recognized pension expense and revenue of $28,144,369 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 37,644,921	$ -
Net change in proportionate share of net pension liability	15,650,359	16,845,272
Difference between projected and actual earnings on pension plan investments	-	12,587,252
Differences between expected and actual experience in the measurement of the total pension liability	1,747,804	8,243,296
Changes of assumptions	87,558,828	-
Total	$ 142,601,912	$ 37,675,820

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (10,464,250)
2020	7,918,351
2021	1,141,780
2022	(11,183,133)
Total	$ (12,587,252)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 13,957,022
2020	13,957,022
2021	13,957,022
2022	13,957,022
2023	11,002,662
Thereafter	13,037,673
Total	$ 79,868,423

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 693,959,800
Current discount rate (7.10%)	472,622,449
1% increase (8.10%)	292,992,189

<u>California Public Employees Retirement System (CalPERS)</u>

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Safety Risk Pool Actuarial Valuation Report. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $14,777,858 and $402,541, respectively.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liability totaling $177,755,962 and $2,899,401, respectively. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's CalPERS' proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.7446 percent and 0.7557 percent, resulting in a net decrease in the proportionate share of 0.0111 percent. The District's CalPERS Safety Risk Pool's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0485 percent and 0.0484 percent, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2018, the District recognized pension expense of $32,180,475 for CalPERS and $(105,258) for CalPERS Safety Risk Pool. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,777,858	$ -
Net change in proportionate share of net pension liability	3,432,731	1,355,800
Difference between projected and actual earnings on pension plan investments	6,149,140	-
Differences between expected and actual experience in the measurement of the total pension liability	6,368,263	-
Changes of assumptions	25,964,054	2,092,857
Total	$ 56,692,046	$ 3,448,657

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 402,541	$ -
Net change in proportionate share of net pension liability	225,059	317,870
Difference between projected and actual earnings on pension plan investments	116,365	-
Differences between expected and actual experience in the measurement of the total pension liability	36,800	9,595
Changes of assumptions	533,689	40,946
Total	$ 1,314,454	$ 368,411

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	CalPERS Deferred Outflows/(Inflows) of Resources
2019	$ (166,620)
2020	7,094,774
2021	2,588,254
2022	(3,367,268)
Total	$ 6,149,140

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows of Resources
2019	$ (4,188)
2020	138,901
2021	49,742
2022	(68,090)
Total	$ 116,365

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Deferred Outflows/(Inflows) of Resources
2019	$ 12,249,515
2020	11,508,050
2021	8,558,826
Total	$ 32,316,391

The CalPERS' Safety Risk Pool's EARSL is 3.8 years (measurement periods 2014-2015 and 2016-2017) and 3.7 years (measurement period 2015-2016) and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2019	$ (22,747)
2020	228,538
2021	221,346
Total	$ 427,137

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	CalPERS Net Pension Liability
1% decrease (6.15%)	$ 261,535,982
Current discount rate (7.15%)	177,755,962
1% increase (8.15%)	108,253,420

Discount Rate	CalPERS Safety Risk Pool Net Pension Liability
1% decrease (6.15%)	$ 4,334,989
Current discount rate (7.15%)	2,899,401
1% increase (8.15%)	1,725,880

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $22,737,415 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Mitchell - site work & portables - phase 3	$ 330,223	7/16/2018
ALA II - portables	2,138	7/16/2018
	$ 332,361	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entities for its property and liability coverage, and excess property and liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of $2,043,424 and $309,507 to ASCIP and SELF, respectively, for property and liability coverage, and excess property and liability coverage.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 353,597,760
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(132,336,100)
Net Position - Beginning as Restated	$ 221,261,660

REQUIRED SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 516,182,413	$ 511,872,868	$ 510,195,822	$ (1,677,046)
Federal sources	43,047,097	56,144,720	49,351,981	(6,792,739)
Other State sources	81,750,394	90,265,521	88,691,445	(1,574,076)
Other local sources	4,302,223	9,060,650	7,416,775	(1,643,875)
Total Revenues [1]	645,282,127	667,343,759	655,656,023	(11,687,736)
EXPENDITURES				
Current				
Certificated salaries	267,550,033	274,923,386	275,945,554	(1,022,168)
Classified salaries	92,234,265	90,554,602	92,440,010	(1,885,408)
Employee benefits	155,875,160	160,611,527	196,702,250	(36,090,723)
Books and supplies	44,393,827	44,611,054	38,618,935	5,992,119
Services and operating expenditures	59,743,351	66,209,385	58,355,806	7,853,579
Other outgo	2,279,669	2,090,963	2,047,955	43,008
Capital outlay	6,712,113	6,483,735	4,815,500	1,668,235
Debt service - principal	251,524	251,524	251,524	-
Debt service - interest	-	-	5,613	(5,613)
Total Expenditures [1]	629,039,942	645,736,176	669,183,147	(23,446,971)
Excess of Revenues Over Expenditures	16,242,185	21,607,583	(13,527,124)	(35,134,707)
Other Financing Sources (Uses)				
Transfers out	(11,027,665)	(21,812,843)	(5,645,329)	16,167,514
NET CHANGE IN FUND BALANCES	5,214,520	(205,260)	(19,172,453)	(18,967,193)
Fund Balances - Beginning	125,430,931	125,430,931	125,430,931	-
Fund Balances - Ending	$ 130,645,451	$ 125,225,671	$ 106,258,478	$ (18,967,193)

[1] Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 4,331,230
Interest	10,574,943
Benefit payments	(11,167,212)
Net change in total OPEB liability	3,738,961
Total OPEB liability - beginning	179,726,603
Total OPEB liability - ending (a)	$ 183,465,564
Plan Fiduciary Net Position	
Contributions - employer	$ 21,167,212
Net investment income	186,014
Benefit payments	(11,167,212)
Administrative expense	(1,322)
Net change in plan fiduciary net position	10,184,692
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	$ 10,184,692
District's net OPEB liability - ending (a) - (b)	$ 173,280,872
Plan fiduciary net position as a percentage of the total OPEB liability	5.55%
Covered payroll	N/A[1]
District's net OPEB liability as a percentage of covered payroll	N/A[1]

[1] The District's OPEB Plan is administered through a trust; however, the contributions to the trust are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.9252%
District's proportionate share of the net OPEB liability	$ 3,892,495
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.5111%	0.5280%
District's proportionate share of the net pension liability	$ 472,622,449	$ 427,027,116
State's proportionate share of the net pension liability associated with the District	279,599,448	243,098,920
Total	$ 752,221,897	$ 670,126,036
District's covered - employee payroll	$ 270,435,684	$ 261,397,446
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	174.76%	163.36%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.7446%	0.7557%
District's proportionate share of the net pension liability	$ 177,755,962	$ 149,251,038
District's covered - employee payroll	$ 92,901,800	$ 90,150,755
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	191.34%	165.56%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%
CalPERS - SAFETY RISK POOL		
District's proportion of the net pension liability	0.0485%	0.0484%
District's proportionate share of the net pension liability	$ 2,899,401	$ 2,506,207
District's covered - employee payroll	$ 2,007,112	$ 2,019,608
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	144.46%	124.09%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.5389%	0.5013%
$ 362,799,016	$ 292,931,830
191,880,686	176,884,886
$ 554,679,702	$ 469,816,716
$ 245,668,908	$ 224,429,169
147.68%	130.52%
74%	77%
0.7186%	0.7462%
$ 105,921,641	$ 84,713,519
$ 79,423,023	$ 74,554,979
133.36%	113.63%
79%	83%
0.0494%	0.0302%
$ 2,034,198	$ 1,878,447
$ 1,960,237	$ 1,714,755
103.77%	109.55%
79%	83%

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 37,644,921	$ 34,020,809
Contributions in relation to the contractually required contribution	37,644,921	34,020,809
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 260,879,563	$ 270,435,684
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 14,777,858	$ 12,902,202
Contributions in relation to the contractually required contribution	14,777,858	12,902,202
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 95,150,718	$ 92,901,800
Contributions as a percentage of covered - employee payroll	15.531%	13.888%
CalPERS - SAFETY RISK POOL		
Contractually required contribution	$ 402,541	$ 403,287
Contributions in relation to the contractually required contribution	402,541	403,287
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 2,007,112	$ 2,019,608
Contributions as a percentage of covered - employee payroll	20.06%	19.97%

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

See accompanying note to required supplementary information.

2016	2015
$ 28,047,946	$ 21,815,399
28,047,946	21,815,399
$ -	$ -
$ 261,397,446	$ 245,668,908
10.73%	8.88%
$ 10,680,160	$ 9,348,884
10,680,160	9,348,884
$ -	$ -
$ 90,150,755	$ 79,423,023
11.847%	11.771%
$ 371,309	$ 313,139
371,309	313,139
$ -	$ -
$ 1,960,237	$ 1,714,755
18.94%	18.26%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

At June 30, 2018, the District General Fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual	Excess
General Fund	$ 667,549,019	$ 674,828,476	$ 7,279,457

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

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

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

***Change of Assumptions* –** There were no changes in economic assumptions.

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

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

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

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

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

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

***Changes of Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education - Fitness for All	84.215E	[1]	$ 260,914
Positive School Climate Model	84.411C	[1]	1,022,278
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	20,137,842
Title I, Part G: Advanced Placement Test Fee Reimbursement Program	84.330B	14831	61,120
Title I, School Improvement Grant	84.377	15248	415,513
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,915,212
Title III, English Learner Student Program	84.365	14346	2,045,388
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	206,120
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,751,544
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	204,044
Early Intervention Grants, Part C	84.181	23761	282,678
Migrant Education - State Grant Program:			
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	346,425
Title I, Part C, Migrant Education (MESRP)	84.011	14768	56,811
Total Migrant Education - State Grant Program			403,236
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	9,005,360
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	35,275
Preschool Grants, Part B, Sec 619	84.173	13430	346,331
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,236,573
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	611,848
Preschool Staff Development, Part B, Sec 619	84.173A	13431	693
Alternate Dispute Resolution	84.173A	13007	23,066
Total Special Education Cluster			11,259,146
Passed through Central County Regional Occupational Program:			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	467,283
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	402,825
Total U.S. Department of Education			40,835,143
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Assistance Program:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	2,351,583
Passed through Orange County Department of Education:			
Medi-Cal Administrative Activities	93.778	10060	2,071,275
Total Medi-Cal Assistance Program			4,422,858
Passed through Orange County Head Start, Inc.			
Head Start	93.600	10016	3,538,358
Total U.S. Department of Health and Human Services			7,961,216

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	$ 22,810,507
School Breakfast Program	10.553	13390	2,984
Especially Needy Breakfast Program	10.553	13526	6,367,535
Commodities	10.555	13396	2,885,361
Seamless Summer Feeding Program	10.559	13004	1,772,797
Total Child Nutrition Cluster			33,839,184
Child and Adult Care Food Program	10.558	13666	4,331,537
Passed through County of Orange - Health Care Agency:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance	10.574	[1]	13,950
Total U.S. Department of Agriculture			38,184,671
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	155,582
NATIONAL SCIENCE FOUNDATION			
Passed through Regents of the University of California, Irvine:			
Irvine Mathematics Project	47.076	[1]	168,099
Total Expenditures of Federal Awards			$ 87,304,711

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Santa Ana Unified School District was organized in 1888, and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Valerie Amezcua	President	2018
Rigo Rodriguez, Ph.D.	Vice President	2020
Alfonso Alvarez, Ed.D.	Clerk	2020
Cecilia Iglesias	Member	2020
John Palacio	Member	2018

ADMINISTRATION

Stefanie P. Phillips, Ed.D.	Superintendent
David Haglund	Deputy Superintendent, Educational Services/CAO
Edmond Heatley, Ed.D.	Deputy Superintendent, Administrative Services
Manoj Roychowdhury	Assistant Superintendent, Business Services
Alfonso Jimenez, ED.D.	Assistant Superintendent, Elementary Education
Lucinda Pueblos	Assistant Superintendent, K-12 School Performance and Culture
Doreen Lohnes	Assistant Superintendent, Special Education/SELPA
Orin Williams	Assistant Superintendent, Facilities/Governmental Relations
Mark McKinney	Associate Superintendent, Human Resources

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report 80203873	Annual Report 4B7EECF4
Regular ADA		
Transitional kindergarten through third	14,180.03	14,169.30
Fourth through sixth	11,355.15	11,330.39
Seventh and eighth	7,314.82	7,300.04
Ninth through twelfth	13,778.41	13,685.34
Total Regular ADA	46,628.41	46,485.07
Extended Year Special Education		
Transitional kindergarten through third	47.53	47.53
Fourth through sixth	24.24	24.24
Seventh and eighth	3.87	3.87
Ninth through twelfth	90.91	90.91
Total Extended Year Special Education	166.55	166.55
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.86	0.76
Fourth through sixth	3.31	3.17
Seventh and eighth	3.92	3.43
Ninth through twelfth	11.10	10.54
Total Special Education, Nonpublic, Nonsectarian Schools	19.19	17.90
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.46	0.46
Seventh and eighth	0.26	0.26
Ninth through twelfth	1.23	1.23
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.95	1.95
Community Day School		
Seventh and eighth	15.90	17.08
Ninth through twelfth	23.43	21.40
Total Community Day School	39.33	38.48
Total ADA	46,855.43	46,709.95

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

CHARTER SCHOOL - Advanced Learning Academy

	Final Report	
	Second Period Report 92C24F8B	Annual Report 5190B039
Regular ADA		
Transitional kindergarten through third	24.06	24.15
Fourth through sixth	173.51	173.21
Seventh and eighth	134.30	134.07
Ninth through twelfth	12.76	12.55
Total Regular ADA	344.63	343.98
Classroom based ADA		
Transitional kindergarten through third	24.06	24.15
Fourth through sixth	173.51	173.21
Seventh and eighth	134.30	134.07
Ninth through twelfth	12.76	12.55
Total Regular ADA	344.63	343.98

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,012	182	-	Complied
Grades 1 - 3	50,400				
Grade 1		51,298	182	-	Complied
Grade 2		51,298	182	-	Complied
Grade 3		51,298	182	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,859	182	-	Complied
Grade 5		54,859	182	-	Complied
Grade 6		55,109	182	-	Complied
Grades 7 - 8	54,000				
Grade 7		55,084	182	-	Complied
Grade 8		55,084	182	-	Complied
Grades 9 - 12	64,800				
Grade 9		64,820	182	-	Complied
Grade 10		64,820	182	-	Complied
Grade 11		64,820	182	-	Complied
Grade 12		64,820	182	-	Complied

CHARTER SCHOOL - Advanced Learning Academy

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 3	50,400				
Grade 3		57,180	182	-	Complied
Grades 4 - 6	54,000				
Grade 4		57,180	182	-	Complied
Grade 5		57,180	182	-	Complied
Grade 6		57,180	182	-	Complied
Grades 7 - 8	54,000				
Grade 7		59,300	182	-	Complied
Grade 8		59,300	182	-	Complied
Grades 9 - 12	64,800				
Grade 9		66,332	182	-	Complied
Grade 10		66,332	182	-	Complied
Grade 11		66,332	182	-	Complied
Grade 12		66,332	182	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements as of June 30, 2018.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [3]				
Revenues	$ 666,925,080	$ 655,298,590	$ 667,006,458	$ 660,120,516
Expenditures	671,223,898	629,183,147	626,903,433	604,749,503
Other uses and transfers out	5,119,798	21,742,884	19,216,780	25,002,747
Total Expenditures and Other Uses	676,343,696	650,926,031	646,120,213	629,752,250
INCREASE IN FUND BALANCE	$ (9,418,616)	$ 4,372,559	$ 20,886,245	$ 30,368,266
ENDING FUND BALANCE	$ 96,528,965	$ 105,947,581	$ 101,575,022	$ 80,688,777
AVAILABLE RESERVES [2]	$ 19,842,394	$ 20,708,401	$ 12,931,648	$ 12,327,715
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.93%	3.18%	2.00%	2.01%
LONG-TERM OBLIGATIONS [4]	N/A	$ 617,152,275	$ 612,730,964	$ 495,612,955
K-12 AVERAGE DAILY ATTENDANCE AT P-2	45,374	46,855	48,508	49,957

The General Fund balance has increased by $25,258,804 over the past two years. However, the fiscal year 2018-2019 budget projects a decrease of $9,418,616 (8.9 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years, but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $121,539,320 over the past two years.

Average daily attendance has decreased by 3,102 over the past two years. An additional decline of 1,481 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

[4] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
Advanced Learning Academy (Charter No. 1765)	Yes
Edward B. Cole Academy (Charter No. 0578)	No
El Sol Santa Ana Science and Arts Academy (Charter No. 0365)	No
NOVA Academy (Charter No. 0632)	No
Orange County School of the Arts (Charter No. 0290)	No
Orange County Educational Arts Academy (Charter No. 0701)	No

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
ASSETS					
Deposits and investments	$ 259,892	$ 2,166,465	$ 20,387,332	$ 3,471,924	$ 455,916
Receivables	201,884	1,276,020	5,578,684	3,949	8,526
Due from other funds	1,251,891	16,722	22,302	1,979,326	949
Prepaid expenses	-	-	759	-	-
Stores inventories	-	-	741,918	-	-
Total Assets	$ 1,713,667	$ 3,459,207	$ 26,730,995	$ 5,455,199	$ 465,391
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 92,722	$ 787,236	$ 2,901,225	$ 311,876	$ 8,788
Due to other funds	555,128	2,216,711	2,826,233	43,272	456,603
Total Liabilities	647,850	3,003,947	5,727,458	355,148	465,391
Fund Balances:					
Nonspendable	-	-	748,625	-	-
Restricted	1,065,817	455,260	20,254,912	-	-
Committed	-	-	-	5,100,051	-
Total Fund Balances	1,065,817	455,260	21,003,537	5,100,051	-
Total Liabilities and Fund Balances	$ 1,713,667	$ 3,459,207	$ 26,730,995	$ 5,455,199	$ 465,391

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 21,427,394	$ 29,987,114	$ 688,552	$ 24,556,349	$ 4,748,380	$ 108,149,318
1,114,299	41,100	895	54,915	1,809	8,282,081
2,303,886	392,723	-	-	-	5,967,799
-	-	-	-	-	759
-	-	-	-	-	741,918
$ 24,845,579	$ 30,420,937	$ 689,447	$ 24,611,264	$ 4,750,189	$ 123,141,875
$ 679,471	$ 628,789	$ 34	$ -	$ 69	$ 5,410,210
-	2,216	38,615	-	575,758	6,714,536
679,471	631,005	38,649	-	575,827	12,124,746
-	-	-	-	-	748,625
24,166,108	29,789,932	650,798	24,611,264	4,174,362	105,168,453
-	-	-	-	-	5,100,051
24,166,108	29,789,932	650,798	24,611,264	4,174,362	111,017,129
$ 24,845,579	$ 30,420,937	$ 689,447	$ 24,611,264	$ 4,750,189	$ 123,141,875

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
REVENUES					
Local Control Funding Formula	$ 3,283,096	$ -	$ -	$ 7,430,953	$ -
Federal sources	94,103	-	38,170,721	-	-
Other State sources	427,433	7,419,880	2,525,080	-	-
Other local sources	8,322	50,315	2,561,091	30,651	47,926
Total Revenues	3,812,954	7,470,195	43,256,892	7,461,604	47,926
EXPENDITURES					
Current					
Instruction	2,450,527	5,473,659	-	-	-
Instruction-related activities:					
Supervision of instruction	177,758	445,870	-	-	-
School site administration	480,815	311,222	-	-	-
Pupil services:					
Food services	-	-	42,733,394	-	-
All other pupil services	63,460	431,969	-	-	-
Administration:					
All other administration	265,090	595,822	2,153,634	-	-
Plant services	211,669	1,673	197,860	4,077,563	16,627
Ancillary services	6,074	-	-	-	-
Enterprise services	-	-	255,949	-	-
Facility acquisition and construction	-	-	109,099	602,581	4,118,222
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	3,655,393	7,260,215	45,449,936	4,680,144	4,134,849
Excess (Deficiency) of Revenues Over Expenditures	157,561	209,980	(2,193,044)	2,781,460	(4,086,923)
Other Financing Sources					
Transfers in	513,267	-	-	-	-
Other sources - proceeds from issuance of general obligation bonds	-	-	-	-	-
Other sources - proceeds from issuance of certificates of participation	-	-	-	-	-
Transfers out	-	-	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-	-
Net Financing Sources (Uses)	513,267	-	-	-	-
NET CHANGE IN FUND BALANCES	670,828	209,980	(2,193,044)	2,781,460	(4,086,923)
Fund Balances - Beginning	394,989	245,280	23,196,581	2,318,591	4,086,923
Fund Balances - Ending	$ 1,065,817	$ 455,260	$ 21,003,537	$ 5,100,051	$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 10,714,049
-	-	-	1,332,916	-	39,597,740
-	3,220,891	-	74,716	-	13,668,000
13,853,702	382,678	611,135	20,965,708	1,675,350	40,186,878
13,853,702	3,603,569	611,135	22,373,340	1,675,350	104,166,667
-	-	-	-	-	7,924,186
-	-	-	-	-	623,628
-	-	-	-	-	792,037
-	-	-	-	-	42,733,394
-	-	-	-	-	495,429
163,722	-	-	-	-	3,178,268
8,287	18,231	903	-	-	4,532,813
-	-	-	-	-	6,074
-	-	-	-	-	255,949
8,544,565	1,166,564	6,170	-	-	14,547,201
-	-	-	10,835,000	5,689,225	16,524,225
-	-	2,000	9,899,028	3,464,211	13,365,239
8,716,574	1,184,795	9,073	20,734,028	9,153,436	104,978,443
5,137,128	2,418,774	602,062	1,639,312	(7,478,086)	(811,776)
1,256,831	-	-	-	7,242,599	9,012,697
-	-	-	78,576,284	-	78,576,284
-	-	-	-	21,635,908	21,635,908
(1,351,088)	-	(555,368)	-	-	(1,906,456)
-	-	-	(78,146,578)	(21,231,542)	(99,378,120)
(94,257)	-	(555,368)	429,706	7,646,965	7,940,313
5,042,871	2,418,774	46,694	2,069,018	168,879	7,128,537
19,123,237	27,371,158	604,104	22,542,246	4,005,483	103,888,592
$ 24,166,108	$ 29,789,932	$ 650,798	$ 24,611,264	$ 4,174,362	$ 111,017,129

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Options funds have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, the Build America Bonds are excluded from the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and, therefore, are not presented in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 88,949,721
Medi-Cal Billing Option	93.778	(312,094)
Build America Bonds	[1]	(1,332,916)
Total Schedule of Expenditures of Federal Awards		$ 87,304,711

[1] CFDA Number not available

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206, and *Education Code* Sections 47612 and 47612.5 for the Charter School.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201 and *Education Code* Section 47612.5 for the Charter School.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Santa Ana Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Santa Ana Unified School District in a separate letter dated December 5, 2018.

Santa Ana Unified School District's Response to Findings

Santa Ana Unified School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Santa Ana Unified 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018

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

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on Compliance for Each Major Federal Program

We have audited Santa Ana Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Ana Unified School District's major Federal programs for the year ended June 30, 2018. Santa Ana Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Santa Ana Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Santa Ana Unified 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on State Compliance

We have audited Santa Ana Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Santa Ana Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Santa Ana Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Ana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Santa Ana Unified School District's compliance with those requirements.

Basis for Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Santa Ana Unified School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts; refer to State Awards Findings and Questioned Costs; finding 2018-003. Compliance with such requirements is necessary, in our opinion, for Santa Ana Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Ana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Programs

In our opinion, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

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

The District does offer an Independent Study Program, but the ADA was below the threshold required for testing; therefore, we did not perform procedures related to the Independent Study Program.

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

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform procedures related to the Apprenticeship Program.

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

The District does not have any Non Classroom-Based Instruction for Charter Schools; therefore, we did not perform procedures related to the Non Classroom-Based Instructions/Independent Study for Charter Schools.

The District does not have any Non Classroom-Based Instruction for Charter Schools; therefore we did not perform procedures related to the Determination of Funding for Non Classroom-Based Instructions.

The District did not receive any funding for the Charter School Facility Grant Program; therefore, we did not perform procedures related to the Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA ANA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,619,507
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Capital Assets (Material Weakness)

2018-001 30000

Criteria or Specific Requirements

Education Code Section 35168 requires the District to establish and maintain an inventory of all capital assets. GASB Statement 34 also requires the accounting for capital assets in excess of the capitalization threshold ($5,000). In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, and construction in process activities.

Condition

The District currently has a capital asset system; however, it is not fully functional. The following conditions were noted:

1. There is no personnel at the District that has been assigned to maintain the system.
2. The work in progress account has not been reconciled to ensure all completed projects are transferred to the appropriate classification to be depreciated.
3. Equipment inventory has not been reconciled to ensure that all equipment reported still exists.
4. Due to the system not functioning properly, accumulated depreciation appears to be misstated.

Questioned costs

There is no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital asset activities.

Effect

Consequently, amounts recorded for capital assets in the district's financial statements could be misstated. In addition, by not performing physical inventory counts of capital assets, the District increases the risk of loss from damage, theft, or otherwise.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to track and monitor capital asset activities on a regular basis.

Recommendation

The District should establish and enforce formalized procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timelines for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital asset listing.

Corrective Action Plan

Prior to July 1, 2017, the District did not have a comprehensive process to record the purchase or retirement of its fixed assets. A physical inventory was performed in order identify, record, and tag any untagged machinery and equipment with a historical cost of $500 or greater. On August 13, 2018, the District received a draft report of the physical inventory. The District is currently working with the inventory report to make the necessary adjustments in the financial system in order to ensure proper reporting of the District's fixed assets and accumulated depreciation going forward.

System Reconciliation (Significant Deficiency)

2018-002 30000

Criteria or Specific Requirements

In accordance with *Education Code* Section 41001, all School Districts are required to deposit all receipt of funds with the County Treasury so that the funds can be credited to the proper funds of the School Districts. In addition, the District must reconcile and balance all of its funds to account for the timing difference of transactions posted between the District and the County in order to accurately report the balances held in the County.

Condition

The District has not properly reconciled its in-house Oracle system to the County system as of June 30, 2018. The District does not investigate the variances between the two systems and simply makes adjustments to balance the two systems.

Questioned costs

There is no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the reconciliation of the District in-house system to the County system.

Effect

Due to the condition identified, the District's general ledger may be inaccurate.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to reconcile the two systems on a regular basis.

Recommendation

The District should perform timely reconciliation of its in-house system and the County system, monthly reconciliation must take place with adequate documentation to substantiate the reconciling items between the District's general ledger and balances carried/reported by the County. Additionally, any adjustments for activities not properly accounted for by the County should be immediately communicated to the County.

Corrective Action Plan

The Manger of Accounting or designee will monitor and reconcile the general ledger accounts in the Oracle Financial System and the Orange County Department of Education (OCDE) Financial System at the end of each month to ensure that they balance. Every financial transaction in Oracle will be reviewed by the manager prior to posting. The Form 1 County Transfer form will be completed by the manager and sent to OCDE within 24 hours of posting so they can update their financial system. The Manger will then confirm that OCDE has updated their financial records correctly. All financial documentation that is received from OCDE will be posted into Oracle within 48 hours of receipt. The balances in Oracle will be compared to the balance at OCDE to insure that all financial documentation has been received. The manager will request copies of any missing financial documentation. At the end of each month the manager will compare the ending balance for each account to insure that both financial systems are in alignment. All discrepancies will be researched and communicated to OCDE as they arrive.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

Unduplicated Local Control Funding Formula Pupil Counts

2018-003 40000

Criteria or Specific Requirements

In accordance with *Education Code* sections 2574(b)(3)(c), 42238.02(b)(3)(B), and 41020, the District is required to maintain supporting documentation such as a Free and Reduce Price Meal (FRPM) eligibility application or an alternative household income data collection form that indicates the student was eligible for the designation reported on the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The District did not update the status designation for 76 students who had a designation of "Free" or "Reduced" on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Through review of supporting documentation, each of these 76 students should have been reported with a status designation of "Free" or "Reduced", but it appears that the District did not update the 1.18 report to reflect the correct status.

Questioned Costs

The questioned costs associated with this condition resulted in an increase of $58,484 in Local Control Formula Funding.

Context

The condition was identified by the District during the review of procedures related to LCFF base year. Upon further discussion with the District, a timing difference was noted in the application review process. The District failed to account for all the applications received prior to October 31, 2017 deadline. The District was able to identify 100 percent of the exceptions that existed, resulting in the discovery of the 76 students.

Effect

As a result of our testing, it appears that the District did not update the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report for pupils that did not have documentation supporting a "Free" or "Reduced" designation on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Unduplicated Pupil Count Adjustment (FRPM)	Total Adjusted Enrollment	Adjusted Total Unduplicated Pupil Count
48,326	42,327	76	48,326	42,403

Cause

It appears the cause was due to timing difference in the application review process. The District failed to account for all the applications received prior to October 31, 2017 deadline.

Recommendation

The District should review their current procedures and determine the necessary steps to ensure that all student data is uploaded to CALPADS based on the timelines and reporting deadlines for CALPADS.

Corrective Action Plan

The District has noted the timing issues incurred during the reporting, and will ensure that proper dates are used going forward when submitting the data.

SANTA ANA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statements Findings

Capital Assets (Material Weakness)

2017-001 30000

Criteria or Specific Requirements

Education Code Section 35168 requires the District to establish and maintain an inventory of all capital assets. GASB Statement 34 also requires the accounting for capital assets in excess of the capitalization threshold ($5,000). In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, and construction in process activities.

Condition

The District currently has a capital asset system; however, it is not fully functional. The following conditions were noted:

1. There is no personnel at the District that has been assigned to maintain the system.
2. The work in progress account has not been reconciled to ensure all completed projects are transferred to the appropriate classification to be depreciated.
3. Equipment inventory has not been reconciled to ensure that all equipment reported still exists.
4. Due to the system not functioning properly, accumulated depreciation appears to be misstated.

Questioned costs

There is no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital asset activities.

Effect

Consequently, amounts recorded for capital assets in the district's financial statements could be misstated. In addition, by not performing physical inventory counts of capital assets, the District increases the risk of loss from damage, theft, or otherwise.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to track and monitor capital asset activities on a regular basis.

Recommendation

The District should establish and enforce formalized procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timelines for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital asset listing.

Current Status

Not implemented, see finding 2018-001.

State Awards Findings

After School Education and Safety Program

2017-002 400000

Criteria or Specific Requirements

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

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement for the after school component of the program. However, in reviewing Martin Elementary School's monthly summary total for the month of December 2016 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Martin Elementary School's attendance rosters had a total of 1,847 students served whereas the total of the monthly summary are 1,877 students served, resulting in 30 exceptions. Exceptions consisted of 30 students who were released before 6PM but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for the sites tested for the after school component of the program, there were 30 students served during the month of December 2016 for which the attendance rosters did not conform to the District's early release policy.

Context

The condition identified resulted from our review of Martin Elementary School's attendance records and monthly attendance summary totals for the month of December 2016. For the after school component of the program, auditor selected four out of 46 schools for the first semi-annual reporting period dated July to December 2016. Auditor noted that for the month of December 2016, Martin Elementary School did not consistently have early release forms for students that were being released before 6PM.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2016-2017 fiscal year for Martin Elementary School because the report submitted to the State reflects inaccurate attendance information.

Cause

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

Recommendation

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

Current Status

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

Governing Board
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the financial statements of Santa Ana Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2018, on the government-wide financial statements of the District.

GENERAL LEDGER SYSTEM

General Ledger Detail Reports

Observation

The general ledger system is unable to generate detailed balance sheet reports that agree to the District's unaudited actuals. The system is capable of generating summary level reports that agree to the ending balances of the balance sheet accounts, however as noted is not able to generate detailed reports.

Recommendation

The District should contact the software manufacture to troubleshoot the noted issue and develop a solution that provides for detailed reports of balance sheet items. Alternatively, the District may consider reviewing the capabilities of the current system to ensure it meets user needs.

INTERNAL CONTROLS

Local Revenue

Observation

Per review of the supporting documents pertaining to the District's Depository Account local revenues, it was noted that 14 of 41 deposits tested were not deposited in a timely manner. Based on our review of sample selected for testing, it appears that delay in deposits ranged from 11 to 74 days. The delay in cash deposits can increase the probability of theft, loss, or misappropriation.

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Recommendation

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

Non-Payroll Disbursements

Observation

It was noted that two of 40 direct pay disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

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

Payroll Disbursements

Observation

It was noted that substitute employees that are used for less than a full day are manually tracked on spreadsheets by school site staff, rather than tracking this activity on the substitute system the District has in place. At times, the site staff will reference an incorrect employee code, which is used by payroll to process pay. This may result in paying the incorrect substitute for services that they did not perform.

Recommendation

It is recommended that the District track this activity in their existing system and develop procedures related to the tracking of substitute employees. The automated system will ensure the accuracy of the data needed to generate payroll. In addition, should the District not wish to track partial day substitute employees into their existing system, the District should inform the school sites' staff the importance of ensuring the correct employee code is used to facilitate proper payment of services provided.

Terminations, Retirement, Resignation, and Benefits Reconciliation

Observation

It was noted that the District's procedures regarding resigned, retired, or terminated employees are not adhered to consistently. It was noted that for four of 40 employees tested, the employees were released at the site level prior to being authorized by Human Resource Department. This resulted in individuals being overpaid. In addition, this could result in the District paying for benefits for employees who are no longer being employed by them.

Recommendation

It is recommended that the Human Resource Department advise site and department level administration regarding established policies regarding the releasing of resigned, retired, or terminated employees. This is essential to ensure that the District does not overpay individuals for services not rendered or overpay benefits for individuals no longer employed by the District.

Vacation Accrual

Observation

During vacation testing it was noted that nine of 20 individuals tested exceeded the allowed carry over balance per the established contract agreement. Per review of the contract agreement, twelve month employees are allowed to carry over one half of each year's allowance (up to one year), subject to approval from the Assistant Superintendent of Personnel Services. For employees working less than 12 months their vacation allowance should be used in the year it is earned.

Recommendation

It is recommended that the District adhere to established policies and ensure vacations accruals are not in excess of the established contract agreements. The District should encourage its employees to utilize their vacations hours throughout the year. At the end of the fiscal year, the District should payout any excess days over the allowed five days.

ASSOCIATED STUDENT BODY (ASB)

Consolidated Associated Student Body

Observation

Per review of the ASB bank account reconciliations, it was noted that the reconciliations are not being prepared and reviewed in a timely manner. As of the audit date, the ASB had not completed the bank reconciliation after February 2017.

Recommendation

Bank reconciliation should be performed on a monthly basis. Independent review of prepared bank reconciliation should always be performed by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. Upon reviewing the reconciliation, the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

McFadden Intermediate School

Observations

During our review of the associated student body procedures, the following was noted:

1. Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Four of six deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
2. Based on the review of cash receipting procedures, it was noted that a deposit was overstated on the general ledger due to error in deposit processing. The ASB did not properly perform the close out procedure, which resulted in the overstatement of the subsequent deposit batch. Per review of the account analysis report there were two depositing totaling $4,232.15; however, per review of the bank statement the deposits totaled $3,434. This resulted in the general ledger overstatement of $798.15.
3. Based on the review of the disbursement procedures, it was noted that ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of four vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
4. Revenue potential forms do not provide a section to include actual revenues and expenditures activity of a fundraiser. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
5. Perpetual inventory is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure that deposits are recorded accurately, the ASB should implement additional procedures to ensure each deposit batch is reviewed by an independent person of the receipting and depositing process.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

4. The ASB should revise their existing form to include a section for clubs to input the actual results of the fundraising activity and compute the difference between projected and actual. This will allow the ASB to adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact.
5. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Villa Fundamental Intermediate School

<u>Observations</u>

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that three of five deposits tested was not deposited in a timely manner. The delay in deposit was 13 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, four of six vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. In reviewing the revenue potential forms, it was noted that two of three revenue potential forms were not completely filled out. Explanation for differences between budget and actual was not documented.
4. A physical inventory is not performed. In addition, a perpetual inventory is not maintained.

<u>Recommendations</u>

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

3. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
4. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Godinez Fundamental High School

<u>Observations</u>

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the disbursement procedures, it was noted that four of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Based on the review of the disbursement procedures, it was noted that ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, four of six vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
4. A physical inventory is not performed. In addition, a perpetual inventory is not maintained.
5. A master ticket log is not being used by the sites to account for all tickets on hand and used during the year.
6. During our review of the tested month's financial statements, it was noted that the $600 petty cash/change fund is not included on the ASB balance sheet.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.
4. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.
5. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
6. The site needs to ensure that all cash accounts are correctly stated on their balance sheet in order to accurately state the ASB assets and to prevent an overstatement or understatement of assets.

Saddleback High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that 14 of 47 deposits tested was not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 20 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Funds submitted to the ASB bookkeeper via Deposit Worksheet by advisors are not conducted by two individuals simultaneously. Not having a second person present creates an opportunity for cash to be misappropriated.
3. Based on the review of the disbursement procedures, it was noted that ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, 12 of 25 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
4. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
5. Three of three ticket sales report forms tested were incomplete. The forms did not have an explanation of why there was an overage or a shortage.
6. During our review of the tested month's financial statements, it was noted that the $600 petty cash/change fund is not included on the ASB balance sheet.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. It is recommended that the ASB revise their deposit count procedures to have two people perform the count together and both sign-off on the cash count sheet or that a video monitoring system be utilized that is monitored frequently to deter misappropriation of cash.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

5. All ticket sales report form must be completely filled out at the end of each event. The form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the ticket and number sold. The form is also used to document overages and shortages. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the event.
6. The site needs to ensure that all cash accounts are correctly stated on their balance sheet in order to accurately state the ASB assets and to prevent an overstatement or understatement of assets.

Lorin Griset Academy

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the disbursement procedures, it was noted that one of two disbursements tested was not approved prior to transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018