VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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 Victor Valley Union High School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and the budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions on pages 64 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Victor Valley Union High School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on 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 15, 2015, on our consideration of the Victor Valley Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Victor Valley Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 15, 2015

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT
SUPERINTENDENT'S OFFICE
16350 Mojave Drive, Victorville, CA 92395-3655
760.955.3201 ext. 10202
Ron Williams, Ed.D, Superintendent

This section of Victor Valley Union High School District's (the District) (2014-2015) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

The *Fiduciary Activities* are 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 Victor Valley Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

1. This is the second year of implementation of the State education funding model using the Local Control Funding Formula (LCFF). We have seen increased revenues for our base grant funding and our supplemental and concentration grant funding based on our student population.

2. The District's capital assets have increased $10.7 million based on further facility improvements for new construction and modernization.

3. Total Governmental General Fund revenues were $104.2 million, which was about $2.8 million more than expenses. The majority of these excess funds are in restricted programs or one-time funding the District is gradually spending over time.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities **-** The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a community day school program, two charter schools, and the on-going effort to expand, 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.

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, such as funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements 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 $100,390,707 for the fiscal year ended June 30, 2015. Of this amount, ($104,615,824) was unrestricted (deficit). 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 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	
	2015	As Restated 2014
Assets		
Current and other assets	$ 47,158,302	$ 50,238,509
Capital assets	296,553,115	298,334,796
Total Assets	343,711,417	348,573,305
Deferred Outflows of Resources		
Current year pension contribution	4,917,133	3,753,137
Liabilities		
Current liabilities	11,162,223	11,727,882
Long-term obligations (includes current portion)	171,157,871	165,619,622
Aggregate pension liability	50,096,967	66,229,501
Total Liabilities	232,417,061	243,577,005
Deferred Inflows of Reserves		
Net change in proportionate share of net pension liability	2,116,697	-
Difference between projected and actual earnings on pension plan investments	13,704,085	-
Total Deferred Inflows of Resources	15,820,782	-
Net Position		
Net investment in capital assets	185,255,385	177,303,659
Restricted	19,751,146	23,492,380
Unrestricted (Deficit)	(104,615,824)	(92,046,602)
Total Net Position	$ 100,390,707	$ 108,749,437

The ($104,615,824) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 14 percent ($104.6 million deficit compared to $92.0 million deficit in the prior year).

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 15. 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	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 1,804,660	$ 2,259,328
Operating grants and contributions	18,719,992	19,741,111
Capital grants and contributions	4,506	4,070,156
General revenues:		
Federal and State aid, not restricted	71,522,473	61,160,755
Property taxes	18,294,771	20,292,902
Other general revenues	3,627,048	1,641,936
Total Revenues	113,973,450	109,166,188
Expenses		
Instruction	62,867,012	50,646,103
Instruction-related	9,413,632	8,140,825
Pupil services	13,725,755	12,532,543
Administration	5,959,940	5,762,047
Maintenance and operations	12,295,682	10,538,084
Other	18,070,159	19,027,622
Total Expenses	122,332,180	106,647,224
Change in Net Position	$ (8,358,730)	$ 2,518,964

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $122,332,180. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $18,294,771. The remaining cost was paid by those who benefited from the programs; $1,804,660, or by other governments and organizations who subsidized certain programs with $18,724,498 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction and instruction-related, pupil services, administration, maintenance and operations, and other outgo. 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	
	2015	2014	2015	2014
Instruction and instruction-related	$ 72,280,644	$ 58,786,928	$ 59,303,154	$ 40,004,831
Pupil services	13,725,755	12,532,543	8,466,546	7,496,577
Administration	5,959,940	5,762,047	5,219,551	5,198,244
Maintenance and operations	12,295,682	10,538,084	12,219,404	10,513,844
Other outgo	18,070,159	19,027,622	16,594,367	17,363,133
Total	$ 122,332,180	$ 106,647,224	$ 101,803,022	$ 80,576,629

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $36,638,579 which is a decrease of $2,683,739 or 6.8 percent, from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 18,091,272	$ 104,226,050	$ 101,371,906	$ 20,945,416
Bond Interest and Redemption Fund	8,574,921	8,102,269	7,691,550	8,985,640
Non-Major Governmental Funds	12,656,122	6,855,803	12,804,402	6,707,523
Total	$ 39,322,315	$ 119,184,122	$ 121,867,858	$ 36,638,579

The primary reasons for the increases and decreases to the Districts' fund balances are:

1. The restricted General Funds increased due to receipt of Redevelopment Agency (RDA) pass-through funds received. These funds are dedicated for Capital Outlay Projects only.

2. Bond Interest and Redemption Funds increase slightly as revenues exceeded expenses. These funds will balance out over time with the San Bernardino County Auditor-Controller's office.

3. Non-Major Governmental Funds decreased due to capital expenditures for new construction and modernization projects undertaken by the District.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 15, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 64.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $296,553,115 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1,781,681 or .60 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in progress	$ 13,969,124	$ 10,687,177
Buildings and improvements, net of depreciation	274,435,442	279,553,751
Furniture and equipment, net of depreciation	8,148,549	8,093,868
Total	$ 296,553,115	$ 298,334,796

This year's increase of $10.7 million in capital asset additions is primarily a result of facilities improvement projects, including new construction and modernization projects.

Long-Term Obligations

At the end of this year, the District had $171,157,871 in long-term obligations outstanding versus $165,619,622 last year, an increase of 3.3 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds	$ 148,376,504	$ 150,599,913
Certificates of participation	4,183,842	5,092,393
Compensated absences	2,434,264	2,352,820
Equipment lease financing	4,056,720	-
Voluntary retirement program	2,962,658	-
Other postemployment benefits	9,143,883	7,574,496
Total	$ 171,157,871	$ 165,619,622

General Obligation Bonds, Capital Lease, and Certificates of Participation obligations decreased by the required annual principal payment. Other obligations include compensated absences payable equipment lease financing, and voluntary retirement payable, all of which increased from the prior year. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of 50,096,967 as a result of the implementation of GASB Statement No. 68 during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are the following:

1. Local Control Funding Formula income reflects an anticipated cost of living increase of 1.02 percent with a 51.52 percent gap funding towards the target amount. The District has assumed minimal change in their unduplicated count percentage from 2014-2015.

2. Federal and State income are computed using the 2014-2015 amounts adjusted to reflect anticipated changes in enrollment data for the respective qualifying populations.

3. Other Local Income can tend to be volatile. A large portion of revenues are one-time dollars that the District will use over the next two years.

4. Enrollment/Average Daily Attendance (ADA) is expected to remain flat. Next year's budget may see only a slight increase or be equal to that of the funded ADA of last year's P-2.

5. Increases in the CalSTRS and CalPERS retirement systems will continue to increase at ever higher percentage rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Brian Hawkins, Assistant Superintendent, Business Services, at Victor Valley Union High School District, 16350 Mojave Drive, Victorville, California 92395, (760) 955-3201, or e-mail at BHawkins@vvusd.org.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 41,194,325
Receivables	5,779,809
Prepaid expenditures	51,154
Stores inventories	133,014
Capital assets	
Nondepreciable capital assets	13,969,124
Capital assets being depreciated	344,950,338
Accumulated depreciation	(62,366,347)
Total Capital Assets	296,553,115
Total Assets	343,711,417
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	4,917,133
LIABILITIES	
Accounts payable	10,517,606
Interest payable	642,500
Unearned revenue	2,117
Long-term obligations	
Current portion of long-term obligations other than pensions	7,641,211
Noncurrent portion of long-term obligations other than pensions	163,516,660
Total Long-Term Obligations	171,157,871
Aggregate net pension liability	50,096,967
Total Liabilities	232,417,061
DEFERRED INFLOWS OF RESOURCES	
Net change in proportionate share of net pension liability	2,116,697
Difference between projected and actual earnings on pension plan investments	13,704,085
Total Deferred Inflows of Resources	15,820,782
NET POSITION	
Net investment in capital assets	185,255,385
Restricted for:	
Debt service	8,662,318
Capital projects	2,580,618
Educational programs	8,497,957
Other activities	10,253
Unrestricted (Deficit)	(104,615,824)
Total Net Position	$ 100,390,707

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 62,867,012	$ 155,293	$ 11,688,641	$ 4,506	$ (51,018,572)
Instruction-related activities:					
Supervision of instruction	2,446,993	-	803,856	-	(1,643,137)
Instructional library, media and technology	709,285	-	124,065	-	(585,220)
School site administration	6,257,354	119	201,010	-	(6,056,225)
Pupil services:					
Home-to-school transportation	3,719,397	-	20,957	-	(3,698,440)
Food services	4,984,647	343,807	3,835,042	-	(805,798)
All other pupil services	5,021,711	211	1,059,192	-	(3,962,308)
Administration:					
Data processing	1,135,444	-	32,146	-	(1,103,298)
All other administration	4,824,496	41,900	666,343	-	(4,116,253)
Plant services	12,295,682	11,968	64,310	-	(12,219,404)
Facility acquisition and construction	1,215,042	-	-	-	(1,215,042)
Ancillary services	1,511,373	-	22,999	-	(1,488,374)
Interest on long-term obligations	5,483,902	-	-	-	(5,483,902)
Other outgo	611,722	1,251,362	201,431	-	841,071
Depreciation (unallocated)	9,248,120	-	-	-	(9,248,120)
Total School District	$ 122,332,180	$ 1,804,660	$ 18,719,992	$ 4,506	(101,803,022)
General Revenues and Subventions:					
Property taxes, levied for general purposes					7,835,791
Property taxes, levied for debt service					7,948,934
Taxes levied for other specific purposes					2,510,046
Federal and State aid not restricted to specific purposes					71,522,473
Interest and investment earnings					105,076
Miscellaneous					3,521,972
Subtotal, General Revenues					93,444,292
Change in Net Position					(8,358,730)
Net Assets - Beginning (As Restated)					108,749,437
Net Position - Ending					$ 100,390,707

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 24,243,858	$ 8,985,640	$ 7,964,827	$ 41,194,325
Receivables	5,366,306	-	413,503	5,779,809
Due from other funds	594,698	-	-	594,698
Prepaid expenditures	51,154	-	-	51,154
Stores inventories	122,761	-	10,253	133,014
Total Assets	$ 30,378,777	$ 8,985,640	$ 8,388,583	$ 47,753,000
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 9,431,244	$ -	$ 1,086,362	$ 10,517,606
Due to other funds	-	-	594,698	594,698
Unearned revenue	2,117	-	-	2,117
Total Liabilities	9,433,361	-	1,681,060	11,114,421
FUND BALANCES				
Nonspendable	248,915	-	10,253	259,168
Restricted	6,253,030	8,985,640	6,697,270	21,935,940
Assigned	797,307	-	-	797,307
Unassigned	13,646,164	-	-	13,646,164
Total Fund Balances	20,945,416	8,985,640	6,707,523	36,638,579
Total Liabilities and Fund Balances	$ 30,378,777	$ 8,985,640	$ 8,388,583	$ 47,753,000

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 36,638,579**
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:	$ 358,919,462	
Accumulated depreciation is:	(62,366,347)	
Net Capital Assets		296,553,115
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		4,917,133
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 incurred.		(642,500)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(13,704,085)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of the members receiving pension benefits.		(2,116,697)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(50,096,967)
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	104,609,715	
Certificates of participation	4,183,842	
Compensated absences (vacations)	2,434,264	
Equipment lease financing	4,056,720	
Voluntary retirement plan (VRP)	2,962,658	
Other postemployment benefits	9,143,883	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	43,766,789	
Total Long-Term Obligations		(171,157,871)
Total Net Position - Governmental Activities		**$ 100,390,707**

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 77,070,356	$ -	$ -	$ 77,070,356
Federal sources	9,012,535	-	4,036,689	13,049,224
Other State sources	5,050,519	93,045	302,232	5,445,796
Other local sources	9,035,920	8,009,224	1,276,340	18,321,484
Total Revenues	100,169,330	8,102,269	5,615,261	113,886,860
EXPENDITURES				
Current				
Instruction	61,277,672	-	-	61,277,672
Instruction-related activities:				
Supervision of instruction	2,433,315	-	-	2,433,315
Instructional library, media, and technology	676,408	-	-	676,408
School site administration	6,199,715	-	-	6,199,715
Pupil services:				
Home-to-school transportation	3,994,721	-	-	3,994,721
Food services	-	-	4,858,782	4,858,782
All other pupil services	4,977,843	-	-	4,977,843
Administration:				
Data processing	1,144,928	-	-	1,144,928
All other administration	4,407,566	-	266,486	4,674,052
Plant services	11,844,389	-	131,580	11,975,969
Facility acquisition and construction	2,300,870	-	5,213,512	7,514,382
Ancillary services	1,502,757	-	-	1,502,757
Other outgo	611,722	-	-	611,722
Debt service				
Principal	-	5,815,000	875,000	6,690,000
Interest and other	-	1,876,550	218,500	2,095,050
Total Expenditures	101,371,906	7,691,550	11,563,860	120,627,316
Excess (Deficiency) of Revenues Over Expenditures	(1,202,576)	410,719	(5,948,599)	(6,740,456)
Other Financing Sources (Uses)				
Transfers in	-	-	1,240,542	1,240,542
Other sources	4,056,720	-	-	4,056,720
Transfers out	-	-	(1,240,542)	(1,240,542)
Net Financing Sources (Uses)	4,056,720	-	-	4,056,720
NET CHANGE IN FUND BALANCES	2,854,144	410,719	(5,948,599)	(2,683,736)
Fund Balances - Beginning	18,091,272	8,574,921	12,656,122	39,322,315
Fund Balances - Ending	$ 20,945,416	$ 8,985,640	$ 6,707,523	$ 36,638,579

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (2,683,736)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (9,248,120)	
Capital outlays	7,466,439	
Net Expense Adjustment		(1,781,681)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and voluntary retirement plan are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by $81,444 and voluntary retirement earned was less than the amount used by $2,962,658.		(3,044,102)
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.		1,475,748
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Equipment lease obligation		(4,056,720)
Governmental funds report the effect of premiums and the deferred amount on a refunding when debt is first issued, whereas the amounts are deferred and amortized on the Statement of Activities. This amount is the net effect of these related items (net of amortization):		
Amortized of premium on bond debt for the period	372,175	
Amortized of premium on certificates of participation for the period	33,551	
Net Expense Adjustment		405,726

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

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

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	$ 5,815,000	
Certificates of participation	875,000	
		$ 6,690,000
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(1,569,387)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(3,794,578)
Change in Net Position of Governmental Activities		**$ (8,358,730)**

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	**Associated Student Bodies**	**Total Fiduciary Funds**
ASSETS			
Cash and cash equivalents	$ 1,208,180	$ 502,831	$ 1,711,011
Stores inventories	-	70,198	70,198
Total Assets	$ 1,208,180	$ 573,029	$ 1,781,209
LIABILITIES			
Due to student groups	$ -	$ 573,029	$ 573,029
Due to bond holders	1,208,180	-	1,208,180
Total Liabilities	$ 1,208,180	$ 573,029	$ 1,781,209

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Victor Valley Union High School District (the District) was organized in 1915 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates three junior high schools, three comprehensive high schools, a continuation high school, and alternative educational programs.

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 Victor Valley Union High 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 units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Victor Valley Union High School District Public Financing Corporation's financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Victor Valley Union High School District Public Financing Corporation.

The District established Community Facilities Districts (CFD) No. 2003-1 and 2007-1 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 are not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Excelsior Charter School (Charter No. 0074) and Options for Youth – Victor Valley Charter School (Charter No. 0013) pursuant to *Education Code* Section 47605. All of the Charter Schools are not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of $1,375,489, $796,307, $4,716, and $1,827,022, respectively.

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

Non-Major Governmental Funds

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

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).

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

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

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

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

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

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

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

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).

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, of the District, and for each governmental function. 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 is self-financing or draws from the general revenues of the District.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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.

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.

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose 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 have 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.

Investments

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

Prepaid Expenditures

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 benefiting period. The District has chosen to report the expenditures when the benefit occurs.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the fiduciary 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 $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 15 to 20 years; equipment, 5 to 20 years, and vehicles, 8 years.

Interfund Balances

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

Compensated Absences

Accumulated unpaid vacation benefits 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 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, certificates of participation, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Premiums

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

In governmental fund financial statements, bond premiums 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 the current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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 three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, t 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 $19,751,146 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by $62,476,364. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

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

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 41,194,325
Fiduciary funds	1,711,011
Total Deposits and Investments	$ 42,905,336

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

Cash on hand and in banks	$ 503,126
Cash in revolving	75,000
Investments	42,327,210
Total Deposits and Investments	$ 42,905,336

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

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 San Bernardino 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	Amount Reported	Fair Value	Average Maturity in Days*
First American Treasury Obligations Fund Class D	$ 783,290	$ 783,290	33
First American Government Obligations Fund Class D	457,508	457,508	46
San Bernardino County Investment Pool	41,086,412	41,129,509	344
Total	$ 42,327,210	$ 42,370,307	

* Weighted-average days to maturity.

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 San Bernardino County Investment Pools has been rated AAA by Fitch Ratings. The investment in First American Treasury and Government Obligations Fund Class D have been rated Aaa-mf by Moody's Investor Service as of June 30, 2015.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool or mutual funds and are therefore exempt.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of $175,037 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government			
Categorical aid	$ 3,124,260	$ 364,696	$ 3,488,956
State Government			
Categorical aid	114,208	29,535	143,743
Special education	487,970	-	487,970
Lottery	799,246	-	799,246
Local Government			
Interest	22,338	7,755	30,093
Other Local Sources	818,284	11,517	829,801
Total	$ 5,366,306	$ 413,503	$ 5,779,809

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 10,687,177	$ -	$ -	$ 10,687,177
Construction in Progress	-	3,281,947	-	3,281,947
Total Capital Assets Not Being Depreciated	10,687,177	3,281,947	-	13,969,124
Capital Assets Being Depreciated:				
Land Improvements	18,443,091	621,477	-	19,064,568
Buildings and Improvements	300,646,960	2,236,926	-	302,883,886
Furniture and Equipment	21,675,795	1,326,089	-	23,001,884
Total Capital Assets Being Depreciated	340,765,846	4,184,492	-	344,950,338
Total Capital Assets	351,453,023	7,466,439	-	358,919,462
Less Accumulated Depreciation:				
Land Improvements	7,616,263	1,313,403	-	8,929,666
Buildings and Improvements	31,920,037	6,663,309	-	38,583,346
Furniture and Equipment	13,581,927	1,271,408	-	14,853,335
Total Accumulated Depreciation	53,118,227	9,248,120	-	62,366,347
Governmental Activities Capital Assets, Net	$ 298,334,796	$ (1,781,681)	$ -	$ 296,553,115

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

Governmental Activities	
Unallocated	$ 9,248,120

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From Non-Major Governmental Funds
General Fund	$ 594,698

A balance of $579,417 due to the General Fund from the Non-Major Governmental Cafeteria Fund resulted from reimbursement of indirect costs, health benefits, and sales tax payable.

A balance of $15,281 due to the General Fund from the Non-Major Governmental Building Fund resulted from reimbursement of sales tax liability.

Operating Transfers

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

Transfer To	Transfer From Non-Major Governmental Funds
Non-Major Governmental Funds	$ 1,240,542

The Non-Major Governmental County School Facilities Fund transferred to the Non-Major Governmental Building Fund for reimbursement of project costs.	$ 186,026
The Non-Major Governmental Capital Projects Fund for Blended Component Units transferred to the Non-Major Governmental Building Fund to reimburse for construction payments.	1,054,516
Total	$ 1,240,542

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Salaries and benefits	$ 4,158,233	$ 679	$ 4,158,912
Local control funding formula	273,415	-	273,415
Supplies and materials	1,154,641	9,103	1,163,744
Services	1,470,579	13,088	1,483,667
Construction	870,781	571,335	1,442,116
Due to Charter Schools	830,763	-	830,763
Due to San Bernardino County Superintendent of Schools	606,891	-	606,891
School facilities	-	492,062	492,062
Other significant payables	65,941	95	66,036
Total	$ 9,431,244	$ 1,086,362	$ 10,517,606

NOTE 7 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 2,117

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds	$ 146,137,622	$ 3,963,766	$ 5,815,000	$ 144,286,388	$ 6,325,000
Premium on bond	4,462,291	-	372,175	4,090,116	-
Certificates of Participation	4,895,000	-	875,000	4,020,000	910,000
Premium on certificates	197,393	-	33,551	163,842	-
Compensated absences	2,352,820	81,444	-	2,434,264	-
Equipment lease financing	-	4,056,720	-	4,056,720	215,267
Voluntary retirement program	-	2,962,658	-	2,962,658	190,944
Other postemployment benefits	7,574,496	2,683,552	1,114,165	9,143,883	-
	$ 165,619,622	$ 13,748,140	$ 8,209,891	$ 171,157,871	$ 7,641,211

Payments made on the General Obligation Bonds are made from the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made from the Debt Service Fund.

The compensated absences will be paid by the fund for which the employee worked. Payments for the equipment lease financing and the voluntary retirement program will be made by the General Fund. Other postemployment benefits are generally paid by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Accreted	Redeemed	Bonds Outstanding June 30, 2015
4/7/1999	8/1/2020	4.60-5.10%	$ 30,158,731	$ 27,787,429	$ 1,279,279	$ 4,860,000	$ 24,206,708
10/7/2009	8/1/2028	1.75-5.77%	69,999,600	79,446,675	333,949	955,000	78,825,624
2/26/2013	8/1/2052	1.35-5.90%	36,839,953	38,903,518	2,350,538	-	41,254,056
				$ 146,137,622	$ 3,963,766	$ 5,815,000	$ 144,286,388

1999 Election General Obligation Bonds, Series A

On April 7, 2009 and April 20, 2009, the District issued $30,158,731 of Series A, 1999 Refunding General Obligation Bonds. The bonds were issued as follows: current interest bonds of $4,405,000 with stated interest rates ranging from 4.60 to 5.10 percent and maturing August 1, 2007, and capital appreciation bonds fully maturing on August 1, 2020. The bonds were issued to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2015, the principal balance outstanding was $24,206,708. Unamortized premium received on issuance of the bonds amounted to $4,985 as of June 30, 2015.

2008 Election General Obligation Bonds, Series 2009

On October 7, 2009, the District issued $69,999,600 of Series 2009 General Obligation Bonds consisting of $37,545,000 in current interest bonds, $13,206,759 term bonds, and $19,247,841 in capital appreciation bonds. The Series A have a final maturity to occur on August 1, 2034. Interest rates on the bonds range from of 1.75 to 5.77 percent. Proceeds from the sale of the bonds were to be used to upgrade classrooms, replace portables, and construct new vocational/career tech classrooms and build a new high school in Adelanto. At June 30, 2015, the principal balance outstanding of the 2008 General Obligation Bonds, Series A was $78,825,624. Unamortized premium received on issuance of the bonds amounted to $2,010,114 as of June 30, 2015.

2008 Election General Obligation Bonds, Series B

On February 26, 2013, the District issued $36,839,953 Series B General Obligation Bonds consisting of capital appreciation bonds. The bonds have a final maturity to occur on August 1, 2052. Interest rates on the bonds range from of 1.35 to 5.90 percent. Proceeds from the sale of the bonds were to be used to effect the prepayment of the Bond Anticipation Notes (issued in 2010 and obligation satisfied in 2013), whose proceeds were applied for the purposes specified in the District bond proposition submitted in the Election of 2008, which included financing acquisition, construction, and modernization of certain District property and school facilities. At June 30, 2015, the principal balance outstanding of the 2008 General Obligation Bonds, Series B was $41,254,056. Unamortized premium received on issuance of the bonds amounted to $2,014,408 as of June 30, 2015.

Debt Service Requirements to Maturity

The bonds mature through 2053, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2016	$ 6,075,072	$ 249,928	$ 1,877,250	$ 8,202,250
2017	5,626,608	528,392	1,877,250	8,032,250
2018	5,769,384	890,616	1,877,250	8,537,250
2019	5,496,976	1,308,024	1,877,250	8,682,250
2020	24,691,789	7,198,211	1,877,250	33,767,250
2021-2025	9,343,300	4,251,700	16,010,250	29,605,250
2026-2030	9,368,601	12,601,399	15,801,250	37,771,250
2031-2035	37,545,000	-	7,487,556	45,032,556
2036-2040	10,945,387	32,779,613	-	43,725,000
2041-2045	12,027,815	44,437,185	-	56,465,000
2046-2050	11,340,927	61,589,073	-	72,930,000
2051-2053	6,055,529	47,544,471	-	53,600,000
Total	$ 144,286,388	$ 213,378,612	$ 48,685,306	$ 406,350,306

Certificates of Participation

On September 29, 2005, the District issued the $10,705,000 certificates of participation pursuant to a lease agreement with the Victor Valley Union High School District Financing Corporation. The proceeds of the certificates were used primarily to refund the entire outstanding principal of the certificates that were originally issued on October 6, 1995 (the 1995 certificates) and on May 29, 1997 (the 1997 certificates). Interest rates on the refunding certificates range from 3.65 to 4.14 percent. The refunding certificates have a final maturity to occur on November 2021. At June 30, 2015, the principal balance outstanding was $4,020,000. Unamortized premium received on issuance of the certificates amounted to $163,842 as of June 30, 2015.

The certificates mature through 2022, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 910,000	$ 178,250	$ 1,088,250
2017	960,000	131,500	1,091,500
2018	1,010,000	82,250	1,092,250
2019	205,000	51,875	256,875
2020	215,000	41,375	256,375
2021-2022	720,000	42,750	762,750
Total	$ 4,020,000	$ 528,000	$ 4,548,000

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $2,434,264.

Equipment Lease Financing

On May 12, 2015, the District entered into an equipment lease agreement for the acquisition of certain equipment for the Energy Conservation Measures. The terms of the agreement are semi-annual payments with a stated interest rate of 3.03 percent for a period of 12 years. The District's liability on the equipment lease financing with options to purchase is summarized below:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 215,267	$ 123,850	$ 339,117
2017	559,065	112,140	671,205
2018	576,620	95,179	671,799
2019	412,182	77,459	489,641
2020	240,354	67,751	308,105
2021-2025	1,434,971	218,571	1,653,542
2026-2030	618,261	21,571	639,832
Total	$ 4,056,720	$ 716,521	$ 4,773,241

Voluntary Retirement Program (VRP)

The District offered a voluntary retirement program to qualified certificated and classified employees. Eligibility requirements are that employees must be at lease age 55 with 10 or more years of continuous service in the District as of June 30, 2015 and extended through June 30, 2016. VRP benefits are based on 90 percent of the STRS/PERS creditable compensation for the fiscal year. All contributions to the VRP plan will be made by the District, no employee contributions are required to participate. The District will fund the benefits over a five year period. Currently, there are 35 employees participating in this plan and the District's obligation to those retirees as of June 30, 2015, is $2,962,658.

Year Ending June 30,	Payment
2016	$ 190,944
2017	444,399
2018	508,047
2019	656,179
2020	740,664
2021	422,425
Total	$ 2,962,658

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $2,612,253, and contributions made by the District during the year were $1,114,165. Interest on the net OPEB obligation and adjustments to the annual required contribution were $363,576 and ($292,277), respectively, which resulted in an increase to the net OPEB obligation of $1,569,387. As of June 30, 2015, the net OPEB obligation was $9,143,883. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, and the name of component unit, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, 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 $5,775,000 as of June 30, 2015, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 75,000	$ -	$ -	$ 75,000
Stores inventories	122,761	-	10,253	133,014
Prepaid expenditures	51,154	-	-	51,154
Total Nonspendable	248,915	-	10,253	259,168
Restricted				
Legally restricted programs	6,253,030	-	2,244,927	8,497,957
Capital projects	-	-	4,133,165	4,133,165
Debt services	-	8,985,640	319,178	9,304,818
Total Restricted	6,253,030	8,985,640	6,697,270	21,935,940
Assigned				
Adult education program	69,604	-	-	69,604
Deferred maintenance program	727,703	-	-	727,703
Total Assigned	797,307	-	-	797,307
Unassigned				
Economic uncertainties	4,965,014	-	-	4,965,014
Remaining unassigned	8,681,150	-	-	8,681,150
Total Unassigned	13,646,164	-	-	13,646,164
Total	$ 20,945,416	$ 8,985,640	$ 6,707,523	$ 36,638,579

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Victor Valley Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 92 retirees and beneficiaries currently receiving benefits and 673 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA)and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For fiscal year 2014-2015, the District contributed $1,114,165 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,612,253
Interest on net OPEB obligation	363,576
Adjustment to annual required contribution	(292,277)
Annual OPEB cost (expense)	2,683,552
Contributions made	(1,114,165)
Change in net OPEB obligation	1,569,387
Net OPEB obligation, beginning of year	7,574,496
Net OPEB obligation, end of year	$ 9,143,883

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 2,710,514	$ 1,455,572	54%	$ 6,148,457
2014	2,640,939	1,214,900	46%	7,574,496
2015	2,683,552	1,114,165	42%	9,143,883

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ 153,418	$ 19,352,437	$ 19,199,019	1%	$ 50,300,811	38%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 4.8 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of four percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 23 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - RISK MANAGEMENT

Property and Liability

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

Workers' Compensation

For fiscal year 2015, the District participated in the Protected Insurance Program for School Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the PIPS is limited to districts that can meet the JPA's selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the JPA.

Employee Medical Benefits

The District has contracted with the Anthem Blue Cross, Blue Shield, and Kaiser Permanente to provide employee health benefits, and Delta Dental for dental benefits. Additional vision benefits are provided by Medical Eye Services and basic life insurance benefits are provided through Johnson Rooney public.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 36,048,496	$ 3,081,945	$ 8,876,874	$ 3,112,149
CalPERS	14,048,470	1,835,188	6,943,908	1,248,622
Total	$ 50,096,966	$ 4,917,133	$ 15,820,782	$ 4,360,771

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.
The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalSTRS)	
	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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $3,081,945.

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

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

Total Net Pension Liability, Including State Share:	
District's proportionate share of net pension liability	$ 36,048,496
State's proportionate share of the net pension liability associated with the District	21,767,639
Total	$ 57,816,135

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0617 percent.

For the year ended June 30, 2015, the District recognized pension expense of $3,112,149 and revenue of $1,879,250 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,081,945	$ -
Difference between projected and actual earnings on pension plan investments	-	8,876,874
Total	$ 3,081,945	$ 8,876,874

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,		Amortization
2016	$	2,219,220
2017		2,219,218
2018		2,219,218
2019		2,219,218
Total	$	8,876,874

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 56,190,178
Current discount rate (7.60%)	36,048,496
1% increase (8.60%)	19,253,994

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

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,835,188.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,048,470. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1237 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,248,622. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,835,188	$ -
Net change in proportionate share of net pension liability	-	2,116,697
Difference between projected and actual earnings on pension plan investments	-	4,827,211
Total	$ 1,835,188	$ 6,943,908

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	$ 705,567
2017	705,565
2018	705,565
Total	$ 2,116,697

The deferred inflow 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,	Amortization
2016	$ 1,206,802
2017	1,206,803
2018	1,206,803
2019	1,206,803
Total	$ 4,827,211

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 24,644,223
Current discount rate (7.50%)	14,048,470
1% increase (8.50%)	5,194,650

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 $1,792,660 (5.679 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Construction Commitments

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

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Victor Valley High School - Administration Building, Phase I	$ 197,400	02/01/16
Energy Performance Improvement - District-wide	4,683,747	05/31/27
	$ 4,881,147	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of The Protected Insurance Program for Schools (PIPS) and the High Desert Schools joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationships between the District and the JPA's 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, 2015, the District made payments of $1,700,336, and $598,261 to Protected Insurance Program for Schools (PIPS), and High Desert Schools, respectively, for its workers' compensation and property and liability coverage.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Statement of Net Position	
Net Position - Beginning	$ 171,225,801
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(66,229,501)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	3,753,137
Net Position - Beginning as Restated	$ 108,749,437

REQUIRED SUPPLEMENTARY INFORMATION

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 76,707,538	$ 76,718,783	$ 77,070,356	$ 351,573
Federal sources	7,173,952	11,472,027	9,012,535	(2,459,492)
Other State sources	4,060,957	3,348,237	5,050,519	1,702,282
Other local sources	7,103,464	7,827,858	9,035,920	1,208,062
Total Revenues [1]	95,045,911	99,366,905	100,169,330	802,425
EXPENDITURES				
Current				
Certificated salaries	36,507,381	37,230,352	36,579,706	650,646
Classified salaries	14,740,230	14,714,015	14,147,540	566,475
Employee benefits	22,968,857	22,929,111	22,842,031	87,080
Books and supplies	4,762,556	8,031,456	6,186,096	1,845,360
Services and operating expenditures	13,918,292	16,216,262	14,417,681	1,798,581
Capital outlay	2,032,406	2,957,878	6,819,132	(3,861,254)
Other outgo	(106,972)	331,005	379,720	(48,715)
Debt service				
Principal	10,000	10,000	-	10,000
Interest	77,829	78,569	-	78,569
Total Expenditures [1]	94,910,579	102,498,648	101,371,906	1,126,742
Excess (Deficiency) of Revenues Over Expenditures	135,332	(3,131,743)	(1,202,576)	1,929,167
OTHER FINANCING SOURCES (USES)				
Other sources	-	-	4,056,720	4,056,720
Transfers out	(1,500,000)	(1,500,000)	-	1,500,000
Net Financing Sources (Uses)	(1,500,000)	(1,500,000)	4,056,720	5,556,720
NET CHANGE IN FUND BALANCE	(1,364,668)	(4,631,743)	2,854,144	7,485,887
Fund Balance - Beginning	18,091,272	18,091,272	18,091,272	-
Fund Balance - Ending	$ 16,726,604	$ 13,459,529	$ 20,945,416	$ 7,485,887

[1] On behalf payments of $1,792,660 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
September 1, 2009	$ -	$ 13,954,604	$ 13,954,604	0%	$ 45,719,596	31%
March 1, 2012	-	18,658,513	18,658,513	0%	41,985,287	44%
July 1, 2014	153,418	19,352,437	19,199,019	1%	50,300,811	38%

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

		2015
CalSTRS		
District's proportion of the net pension liability (asset)		0.0617%
District's proportionate share of the net pension liability (asset)	$	36,048,496
State's proportionate share of the net pension liability (asset) associated with the District		21,767,639
Total	$	57,816,135
District's covered - employee payroll	$	34,710,030
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		104%
Plan fiduciary net position as a percentage of the total pension liability		77%
CalPERS		
District's proportion of the net pension liability (asset)		0.1237%
District's proportionate share of the net pension liability (asset)	$	14,048,470
District's covered - employee payroll	$	15,590,781
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		90%
Plan fiduciary net position as a percentage of the total pension liability		83%

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

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	2015
CalSTRS	
Contractually required contribution	$ 3,081,945
Contributions in relation to the contractually required contribution	(3,081,945)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 34,706,588
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 1,835,188
Contributions in relation to the contractually required contribution	(1,835,188)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 15,590,757
Contributions as a percentage of covered - employee payroll	11.77%

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

SUPPLEMENTARY INFORMATION

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14329	$ 5,464,577
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	48,840
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	601,279
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	91,940
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education			
Secondary, Section 131	84.048	14894	249,671
Passed through Victor Valley Community College District:			
Gear Up	84.334	[1]	112,825
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	354,341
Passed through Desert/Mountain Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA):			
Local Assistance Entitlement	84.027A	13379	1,978,784
Total U.S. Department of Education			8,902,257
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	801,546
National School Lunch Program	10.555	13524	2,728,337
Summer Food Service Program	10.559	13004	17,137
Food Distribution	10.555	13524	316,351
Total Child Nutrition Cluster			3,863,371
Child and Adult Care Food Program	10.558	13393	173,318
Total U.S. Department of Agriculture			4,036,689
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	34,186
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	158,528
Total Federal Programs			$ 13,131,660

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Victor Valley Union High School District was established in 1915 and consists of an area comprising approximately 536 square miles. The District operates three junior high schools, three comprehensive high schools, one continuation high school, and alternative education programs.. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Timothy Hauk	President	2018
Penny Edmiston	Vice President	2018
Timothy Norton	Clerk	2018
Lisa Crosby	Member	2016
Barbara Dew	Member	2016

ADMINISTRATION

Dr. Ron Williams	Superintendent
Ms. Jean Aldrete	Assistant Superintendent, Business Services
Dr. Ratmony Yee	Assistant Superintendent, Educational Services
Mr. Raymond Johnson	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	Final Report	
	Amended Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	2,280.19	2,274.46
Ninth through twelfth	6,409.22	6,339.59
Total Regular ADA	8,689.41	8,614.05
Extended Year Special Education		
Seventh and eighth	4.09	4.09
Ninth through twelfth	18.47	18.47
Total Extended Year Special Education	22.56	22.56
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	6.90	6.28
Ninth through twelfth	20.43	21.30
Total Special Education, Nonpublic, Nonsectarian Schools	27.33	27.58
Extended Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.34	0.56
Ninth through twelfth	1.51	2.33
Total Special Education, Nonpublic, Nonsectarian Schools	1.85	2.89
Total ADA	8,741.15	8,667.08

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

District

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000	52,500				
Grade 7			65,038	180	-	Complied
Grade 8			65,038	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,038	180	-	Complied
Grade 10			65,038	180	-	Complied
Grade 11			65,038	180	-	Complied
Grade 12			65,038	180	-	Complied

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	County School Facilities	Capital Project Fund for Blended Component Units
FUND BALANCE		
Balance, June 30, 2015, Unaudited Financial Statement	$ 980,836	$ 85,283
Increase in:		
Accounts payable	(492,062)	-
Decrease in:		
Investments	-	(52,665)
Balance, June 30, 2015, Audited Financial Statement	$ 488,774	$ 32,618

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 112,719,746	$ 100,164,613	$ 91,499,034	$ 81,968,772
Other sources	-	4,056,720	-	-
Total Revenues and Other Sources	112,719,746	104,221,333	91,499,034	81,968,772
Expenditures	103,419,832	99,544,885	82,794,488	80,605,250
Other uses and transfers out	7,828,003	1,500,000	1,500,000	-
Total Expenditures and Other Sources	111,247,835	101,044,885	84,294,488	80,605,250
INCREASE IN FUND BALANCE	$ 1,471,911	$ 3,176,448	$ 7,204,546	$ 1,363,522
ENDING FUND BALANCE	$ 21,620,019	$ 20,148,108	$ 16,971,660	$ 9,767,114
AVAILABLE RESERVES [2]	$ 15,744,575	$ 13,646,164	$ 5,427,228	$ 5,452,553
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	14.15%	13.75%	6.44%	6.76%
LONG-TERM OBLIGATIONS	N/A	$ 171,157,871	$ 165,619,622	$ 164,399,831
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,491	8,741	8,953	9,354

The General Fund balance has increased by $10,380,994 over the past two years. The fiscal year 2015-2016 budget projects a further increase of $1,471,911 (7.3 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $6,758,040 over the past two years.

Average daily attendance has decreased by 613 over the past two years. Additional decline of 250 ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.
[3] On behalf payments of $1,792,660, $1,849,587, and $1,823,615 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
[4] General Fund amounts do not include activity related to the consolidation of the Adult Education Fund, and the Deferred Maintenance Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Name of Charter School	Included in Audit Report
Excelsior Charter (0074)	No
Options for Youth - Victor Valley (0013)	No

See accompanying note to supplementary information.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS				
Deposits and investments	$ 2,435,560	$ 2,103,798	$ 1,735,676	$ 979,930
Receivables	398,875	2,746	10,320	906
Stores inventories	10,253	-	-	-
Total Assets	$ 2,844,688	$ 2,106,544	$ 1,745,996	$ 980,836
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 10,091	$ 571,334	$ 12,875	$ 492,062
Due to other funds	579,417	15,281	-	-
Total Liabilities	589,508	586,615	12,875	492,062
Fund Balances:				
Nonspendable	10,253	-	-	-
Restricted	2,244,927	1,519,929	1,733,121	488,774
Total Fund Balances	2,255,180	1,519,929	1,733,121	488,774
Total Liabilities and Fund Balances	$ 2,844,688	$ 2,106,544	$ 1,745,996	$ 980,836

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
$ 358,403	$ 32,618	$ 318,842	$ 7,964,827
320	-	336	413,503
-	-	-	10,253
$ 358,723	$ 32,618	$ 319,178	$ 8,388,583
$ -	$ -	$ -	$ 1,086,362
-	-	-	594,698
-	-	-	1,681,060
-	-	-	10,253
358,723	32,618	319,178	6,697,270
358,723	32,618	319,178	6,707,523
$ 358,723	$ 32,618	$ 319,178	$ 8,388,583

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES				
Federal sources	$ 4,036,689	$ -	$ -	$ -
Other State sources	302,232	-	-	-
Other local sources	376,184	35,816	609,761	4,506
Total Revenues	4,715,105	35,816	609,761	4,506
EXPENDITURES				
Current				
Pupil services:				
Food services	4,858,782	-	-	-
Administration:				
All other general administration	232,003	-	34,483	-
Plant services	7,370	3,182	68,363	-
Facility acquisition and construction	-	4,575,514	19,976	572,502
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	5,098,155	4,578,696	122,822	572,502
Excess (Deficiency) of Revenues Over Expenditures	(383,050)	(4,542,880)	486,939	(567,996)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,240,542	-	-
Transfers out	-	-	-	(186,026)
Net Financing Sources (Uses)	-	1,240,542	-	(186,026)
NET CHANGE IN FUND BALANCES	(383,050)	(3,302,338)	486,939	(754,022)
Fund Balances - Beginning	2,638,230	4,822,267	1,246,182	1,242,796
Fund Balances - Ending	$ 2,255,180	$ 1,519,929	$ 1,733,121	$ 488,774

See accompanying note to supplementary information.

Special Reserve Fund For Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 4,036,689
-	-	-	302,232
246,877	-	3,196	1,276,340
246,877	-	3,196	5,615,261
-	-	-	4,858,782
-	-	-	266,486
-	52,665	-	131,580
45,520	-	-	5,213,512
-	-	875,000	875,000
-	-	218,500	218,500
45,520	52,665	1,093,500	11,563,860
201,357	(52,665)	(1,090,304)	(5,948,599)
-	-	-	1,240,542
-	(1,054,516)	-	(1,240,542)
-	(1,054,516)	-	-
201,357	(1,107,181)	(1,090,304)	(5,948,599)
157,366	1,139,799	1,409,482	12,656,122
$ 358,723	$ 32,618	$ 319,178	$ 6,707,523

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 13,049,224
Medi-Cal Billing Option	93.778	82,436
Total Schedule of Expenditures of Federal Awards		$ 13,131,660

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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's 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 are 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
Victor Valley Union High School District
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Valley Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Victor Valley Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Victor Valley Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Victor Valley Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Victor Valley Union High School District's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as 2015-001, and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Victor Valley Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002.

We noted certain matters that we reported to management of Victor Valley Union High School District in a separate letter dated December 15, 2015.

Victor Valley Union High School District's Response to Findings

Victor Valley Union High School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Victor Valley Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 15, 2015

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

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

Governing Board
Victor Valley Union High School District
Victorville, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Basis for Qualified Opinion on Child Nutrition Cluster (CFDA 10.553,10.555, and 10.559)

As described in the accompanying schedule of findings and questioned costs, Victor Valley Union High School District did not comply with requirements regarding the Child Nutrition Cluster as described in items 2015-003 for *Special Tests and Provisions (Non-Program Revenue),* 2015-004 for *Eligibility,* and 2015-005 for *Special Tests and Provisions (Verification).* Compliance with such requirements is necessary, in our opinion, for Victor Valley Union High School District to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster (CFDA 10.553, 10.555 and 10.559)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Victor Valley Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Victor Valley Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Victor Valley Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Victor Valley Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Victor Valley Union High School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-004, 2015-005, and 2015-006, that we consider to be significant deficiencies.

Victor Valley Union High School District's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and/or corrective action plan. Victor Valley Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Victor Valley Union High School District
Victorville, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Qualified Opinion on School Accountability Report Card

As described in the accompanying schedule of findings and questioned costs, Victor Valley Union High School District did not comply with requirements regarding the *School Accountability Report Card* as item 2015-007. Compliance with such requirements is necessary, in our opinion, for Victor Valley Union High School District to comply with the requirements applicable to that program.

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Qualified Opinion on School Accountability Report Card

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Victor Valley Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Victor Valley Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, 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 Victor Valley Union High School District's compliance with the State laws and regulations applicable to the following items:

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

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

The District is a high school district and does not offer kindergarten classes. Therefore, we did not perform procedures over kindergarten continuance.

We did not perform testing over Independent Study because the ADA was below the materiality threshold required for testing.

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 does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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

The District does not have a Regional Occupational Center or Program; therefore, we did not perform any procedures related to the Regional Occupational Center or Program.

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

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified

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

10.553, 10.555, 10.559	Child Nutrition Cluster

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.367	Title II, Part A - Improving Teacher Quality
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 393,950
Auditee qualified as low-risk auditee?	Yes

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 modified:

Name of Program
School Accountability Report Card

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent significant deficiencies, 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

2015-001 30000

Criteria or Specific Requirements

Financial Statements prepared in accordance with GASB Statement 34, must include activities related to the District's capital assets. Reporting of capital assets on financial statements require the District to track and monitor capital assets activities annually, including acquisitions, dispositions, and construction activities that are generally considered as "construction in progress".

Condition

Although the current year's capital asset additions have been captured for financial reporting purposes, the District does not have an adequate method of tracking and monitoring its capital asset activities. The following conditions were noted:

1) There is currently no procedure in place to properly identify equipment acquisitions above the District's capitalization threshold of $5,000.
2) There is currently no procedure to track the District's on-going construction activities for the purpose of identifying cumulative costs under the "construction-in-progress" capital assets category.
3) There appears to be no personnel assigned to the tracking and inventorying of the District's capital assets. The District currently has access to a 3rd party fixed asset system. However, there is no personnel at the District that has been assigned to maintain the system.

Questioned Costs

There were no questioned costs associated with the condition identified.

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

Due to the condition identified, the District's capital assets reported on the government-wide statements can be subject to misstatements.

Cause

The cause of the condition identified appears to have been triggered by the recent changes in the District's business department personnel.

Recommendation

The District should consider the following actions:

1) Utilize the capital asset listing provided by the 3rd party vendor and have District personnel input the capital assets listing into the San Bernardino County Fixed Assets Module to ensure completeness and accuracy of the District's capital assets.
2) Review historical capital outlay records related to the District's modernization and new construction projects and assess the balance carried as "construction in progress". The District should dissect the cumulative "construction in progress" balance into each applicable on-going project and reduce the balance for completed projects, as necessary.
3) Assign/delegate District personnel with the knowledge and capability of recording, tracking, and monitoring the District's capital asset activities. Provide necessary training to designated District employee(s) to properly operate the San Bernardino Capital Assets System Module.

Corrective Action Plan

The District has contracted with an outside vendor to compile and update the capital asset list. The District will reconcile, update, and input the asset list into the San Bernardino COE capital asset system. The District will put in place process and procedures to maintain this asset list in the COE system.

2015-002 30000

Criteria or Specific Requirements

Timely and accurate bank reconciliations preparation and review are a prudent and necessary practice of normal business operations. Bank reconciliations are an important function of cash monitoring. The District should strive to implement procedures and assign personnel to conduct reconciliations of all cash accounts.

The District's revolving account was created for emergency or small disbursements and reimbursed periodically throughout with properly documented expenditures. The revolving account should be reconciled and recorded at the imprest amount of $75,000 which was set by the Board Policy.

The District's clearing account should act as a holding account for monies collected at the sites and various departments. Once the District has verified that all checks collected have cleared the bank, the District should issue a check sweeping the monies in the clearing account to the County Treasurer. The clearing account should be reconciled periodically and in a timely manner since the delay would generally lead to an omission of revenue recognition.

Condition

Based on our review of the clearing account, the District has not been performing bank reconciliations of the clearing account. In addition, per California *Education Code* Section 41017, "All moneys in those banks accounts shall be paid into the county treasurer", referring to the District's clearing account. Although the current balance in the District's bank account is not a significant amount; we could not perform further testing.

Based on our review of revolving account, it appears that the District is reporting the Imprest amount in its financial statements. However, the District is not reconciling their bank balance to the Imprest amount. Consequently, the District has an unreconciled difference of $57,404 between the bank balance and the imprest amount. After further review, we noted the reconciliations have not been performed since January 2015. In addition, auditor found two out of ten disbursements from the revolving account that did not have supporting documentation.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of the auditor's inquiry with the District's personnel and through review of supporting documentations for cash balances reported in the District's Unaudited Actual and bank accounts listing.

Effect

The District has not performed bank reconciliations for both revolving and clearing accounts since January 2015. In addition, the District has an unreconciled difference of $57,404 between the bank balance and the imprest amount for the revolving account.

Cause

The condition identified appears to have materialized primarily due to the lack of procedures in place. Additionally, it appears the District has had significant turnover in their accounting department in the past few years.

Recommendation

As a good business practice, the District should always perform timely bank reconciliations to ensure that all activities have been properly accounted and that there are no errors posted. Independent reviews are also an important monitoring function to ensure that bank statements are accurate and all transactions are being recorded.

Corrective Action Plan

The District will contract with an outside accounting firm to reconcile this account. The District will take necessary steps to bring the account into balance. The District will put into practice the process, procedures and assign personnel to reconcile this account monthly. The District will provide training for employees responsible for this function.

The following findings represent significant deficiencies, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2015-003 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.556, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2) requires the proportion of total revenue from the sale of non-program foods to total revenue of the school food service account to be equal or greater than the proportion of total food costs associated with obtaining non-program foods to the total costs associated with obtaining program and non-program foods from the account.

Condition

During 2013-2014 fiscal year, the District's cafeteria operation did not price non-program food items high enough to ensure compliance with Title 7, Part 210, Subpart C, Section 210.14(f)(2). The ratio of non-program food cost to total food cost to non-program revenue to total food service revenue is higher as a result.

Questioned Costs

There were no direct questioned costs associated with the condition identified, but the cafeteria account needed to generate additional $67,135 in non-program revenues to comply with the requirement.

Context

The condition was identified as a result of review of the District's non-program revenue calculation form and supporting documents.

Effect

The revenue from non-program foods is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements stated in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 7, Part 210, Subpart C, Section 210.14(f)(2).

Recommendation

The District should review the requirements stated in Title 7, Part 210, Subpart C, Section 210.14(f)(2) and implement a procedure to address the deficiency currently identified with the District's non-program revenue requirement. Specifically, we recommend the District incorporate the non-program calculation in its preliminary budgeting process, so they can adjust the non-program food prices as required.

Corrective Action Plan

The food service management will monitor the non-program sales to maintain compliance. The District will provide training on budgeting, managing, and adhering to the required internal controls for this program. Ordering, inventory management, and food sales will be monitored and managed to ensure compliance.

2015-004 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulation, Part 245, Section 245.6(c)(4) states that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in Section 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

Condition

During the fiscal year 2014-2015, the District was not in compliance with the requirements of Title 7, Code of Federal Regulation, Part 245, Section 245.6(c)(4). We noted the District had determined incorrect eligibility status for 3 out of 22 sampled meal applications.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of auditor's review of sample of meal applications submitted by households.

Effect

The eligibility determination process is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements identified in Title 7, Code of Federal Regulation, Part 245, Section 245.6(c)(4).

Cause

The condition identified appears to have materialized due to clerical error by an employee in charge of eligibility determination process.

Recommendation

The District should ensure that it performs the eligibility determination in accordance with Title 7, Code of Federal Regulation, Part 245, Section 245.6(c)(4). To prevent future non-compliance, the District should implement an additional review process of eligibility status determination for all applications processed each year. Additionally, the information from each application should be inputted into the WebSMART system and the eligibility status determined by the system should be compared to the eligibility status determined by the District employee to ensure there are no discrepancies.

Corrective Action Plan

The District will ensure compliance for eligibility determinations according to program requirements. The District will provide training for all employees responsible for this food service function. The District will institute a secondary review process to verify all eligibility applications and make necessary adjustments according to regulations. The District will make use of the WebSMART system and reconcile all discrepancies to the eligibility list.

2015-005 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulation, Part 245, Section 245.6a(f)(7) states that local education agency shall make appropriate modifications to the eligibility determinations made initially after review of documentation provided by the household.

Condition

During 2014-2015 fiscal year, the District was not in compliance with the requirements of Title 7, Code of Federal Regulation, Part 245, Section 245.6a(f)(7). The District uses WebSMART as their primary system to store student eligibility information and as their point of sale system. The verification process involves review of supporting documentation and determination of eligibility by an employee and manual input of the determination in the WebSMART system. The three exceptions noted were due to clerical error made by an employee in charge of verification process during 2014-2015 fiscal year.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of auditor's review of District's Verification summary report and Verification detail report.

Effect

The verification process is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements identified in Title 7, Code of Federal Regulation, Part 245, Section 245.6a(f)(7).

Cause

The condition identified appears to have materialized due to clerical error by an employee in charge of verification process.

Recommendation

The District should ensure that its annual verification of sampled meal applications is completed accurately in accordance with Title 7, Code of Federal Regulation, Part 245, Section 245.6a(f)(7). To prevent future non-compliance, the District should implement an additional review of verification determination made by the employee in charge of verification.

Corrective Action Plan

The District will implement a secondary review process system to ensure all applications are completed accurately. The District will provide training as needed to ensure compliance.

2015-006 50000

Federal Program Affected

Program Name: Title II, Part A – Improving Teacher Quality
CFDA Number: 84.367
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Title 34, Code of Federal Regulations, Part 80, Subpart C, Section 80.35 requires grantees and subgrantees not to make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance program under Executive Order 12549, "Debarment and Suspension". Additionally, Title 2, Code of Federal Regulations, Part 180 provides guidelines to agencies on government-wide debarment and suspension requirements that must be followed.

Condition

The District's categorical program department does not have a policy to ensure compliance with Title 34 CFR, Part 80, Subpart C, Section 80.35. Specifically, the District has no method of reviewing and identifying vendors that have been awarded contracts that may be debarred or suspended.

Questioned Costs

There were no questioned costs identified since the District did not expend any of its Federal awards on debarred and/or suspended parties.

Context

The condition was identified as a result of the auditor's inquiry with District's categorical programs department personnel and through review of supporting documents.

Effect

The District has been engaging in procurement activities without verifying if the vendor is subject to debarment and/or suspension. The District currently assumes all the risk of non-compliance with requirements stated under Title 34 CFR, Part 80, Subpart C, Section 80.35 due to the lack of implemented review and monitoring procedures.

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 34 CFR, Part 80, Subpart C, Section 80.35 and 34 CFR Part 180.

Recommendation

The District should review the requirements stated in 34 CFR, Part 80, Subpart C, Section 80.35 and implement a procedure to address the deficiency currently identified with the District's procurement process. The District should draft its procedures to conform to requirements stated in Title 2 CFR Part 180 to ensure that the District's policy is consistent with the Office of Management and Budget's Debarment and Suspension guidelines.

Corrective Action Plan

The District will provide training to all employees involved in the selection process for outside vendors to determine proper eligibility within the federal guidelines. The District will put in place the process and procedures to review and ensure all vendors are compliant to the regulations.

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

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

Five Digit Code	AB 3627 Finding Type
72000	School Accountability Report Card

2015-007 72000

Criteria or Specific Requirements

As required by California *Education Code* Section 33126(b) (8), the School Accountability Report Card (SARC) shall include, but is not limited to, assessment of the safety, cleanliness, and adequacy of school facilities, including any need for maintenance.

Condition

The SARC among other information includes report on adequacy of school facilities which is derived from Facilities Inspection Tool (FIT). We were unable to compare the information reported on the facilities because the District could not locate the facilities inspections tools. Without being able to compare the information, we could not determine whether the information in the SARC for facilities is accurately reported.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of our inquiry with the District's Facilities and Education Services Department personnel and through review of supporting documents.

Effect

The District has not complied with requirements identified in California *Education Code* Section 33126 (a) which states that the SARC shall provide data including adequacy of school facilities by which a parent can make meaningful comparisons between public schools. The adequacy of school facilities reported on the SARC could not be verified for all three schools tested.

Cause

The condition identified appears to have materialized primarily due to the lack of review process. Additionally, it appears that the employee responsible for preparing the notice lacks full understanding of the requirements.

Recommendation

The District should become familiar with all the requirements identified in California *Education Code* Section 33126. The Facility Inspection Tools should be kept on file to substantiate the condition of the District's facilities as reported on the SARC. Additionally, the District should provide management oversight to employees responsible for performing key compliance requirements.

Corrective Action Plan

The District has contracted with an outside vendor to complete an independent Facility Inspection Tool report for the annual SARC reporting. The District will train employees and put into place the process and procedures to timely complete the FIT report. District management will annually review and provide oversight for employees responsible for this function.

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

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

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 Statement Findings

2014-001 20000

Criteria or Specific Requirements

Capital assets represent one of the largest investments of the District; control and accountability are of significant concern. Generally accepted accounting principles (GAAP), *Education Code* Section 35168, and District Board Policy require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections. The need for data on capital assets is an important aspect to the District.

The District was unable to clearly identify the capital assets recorded and retired during the 2013-2014 fiscal year. The District does not have records to monitor cost by project; however, the District did not maintain detailed inventory of capital assets to include improvements, buildings, and equipment.

We were able to determine that the expenditures were for proper capital costs, but not the nature of the project or the amount of the depreciable assets in the current year. The construction in progress, which accounts for current construction projects, is not being properly reconciled at the completion of projects which should begin to be depreciated at project completion.

The District's depreciation expense may be understated if the costs were for projects that were completed during the year and not added to the depreciation schedule; however, we believe the understatement of depreciation expense would be immaterial. For the current year, depreciation costs were estimated based on prior year information.

Furthermore, the District does not have records to monitor disposal of capital assets made during the year.

Recommendation

The District needs to update its capital assets listing to include a detailed and itemized listing any construction projects and then update it as projects are completed and moved into the completed buildings or site improvements categories or as new costs are incurred. An employee needs to be assigned the task of tracking all future acquisitions and disposals. It may be beneficial to consider hiring a firm to conduct a full inventory of capital assets during 2014-2015.

Current Status

Not implemented, see current year finding 2015-001.

2014-002 20000

Bank Reconciliations

Criteria or Specific Requirements

The District did not reconcile the revolving or clearing cash bank account during the year, nor did it reconcile to the $75,000 and $295 imprest balance, respectively. Regular bank reconciliations are an important internal control to safeguard against misuse of funds or accounting errors.

Recommendation

The District should assign the task of reconciling the bank statements to the imprest balances on a monthly basis to an employee in the accounting department.

Current Status

Not implemented, see current year finding 2015-002.

Federal Awards Findings

2014-003 50000

Federal Program Affected

Program Identification: Title I, Part A (CFDA No. 84.010)
Federal Agency: U.S. Department of Education
Pass-through Entity: California Department of Education

Criteria or Specific Requirements

The equitable services provision of the Title I statute requires that local educational agencies (LEAs) provide eligible private school children with Title I educational services or other benefits that are equitable to those provided to eligible public school children. Title I services for eligible private school children must be developed in consultation with private school officials. Eligible students enrolled in private schools receive Title I, Part A services; private schools do not receive Title I, Part A funds. The public school district, where the students reside, is responsible for making these services available for students in private schools.

Condition

The District did not contact officials of private schools that have enrollment of children who reside in the District boundaries.

Questioned Costs

None

Context

The District did not correspond with any private schools for the 2013-2014 fiscal year regarding Title I funds.

Effect

There is no effect on funding.

Cause

The District had turnover at and near the end of the 2012-2013 fiscal year in the Educational Services department. Correspondence with private schools is typically conducted during these summer months.

Recommendation

Consultation with private school participants should begin early enough so that Title I teachers can be hired and materials ordered in order to the Title I program to start at the beginning of each school year. Consequently, the District should consult with the private schools on an annual basis, allowing the schools to respond and make any necessary purchases or hiring decisions prior to this date.

Current Status

Implemented.

State Awards Findings

2014-004 72000

School Accountability Report Card (SARC)

Criteria or Specific Requirements

California *Education Code* Section 33126 requires LEAs to complete a school accountability report card for each site with the most recent facility inspection information included. Facility inspections are required to be performed annually.

Condition

Upon review of the School Accountability Report Cards, we were unable to compare the information reported on the facilities because the District could not locate the facilities inspection tools. Without being able to compare the information, we could not determine whether the information in the School Accountability Report Cards for facilities is accurately reported.

Questioned Costs

None.

Context

The issue was noted in two of the five schools selected.

Effect

The District is potentially providing inaccurate information to the general public through the publication of the school accountability report card.

Cause

Based on inquiry, we learned that the individual who held the responsibility of maintaining the inspection files had retired, and his replacement has been unable to locate the files.

Recommendation

It is recommended that Facility Inspection Tools are kept on file to substantiate the condition of the District's facilities reported on the SARC.

Current Status

Not implemented, see current year finding 2015-007.

2014-005 40000

School Education and Safety (ASES) Program

Criteria or Specific Requirements

The District is required to report attendance on a semi-annual basis to accurately reflect the attendance related to the program per California *Education Code* Section 8483.55. The District must be able to provide written origination documentation to support the attendance reported on a semi-annual basis by site.

Condition

The District provided sign-in sheets that did not support the summarized data that was reported in the semi-annual report to the State. The District reported attendance of 19,909, while the semiannual attendance report showed attendance of 19,950, a variance of 41 students.

Questioned Costs

$307.50 based on $7.50 per student proposed to be served per day.

Context

The period of the first semi-annual reporting period was incorrectly tallied on the summary sheet reported to the State, resulting in over reporting attendance by 21. Furthermore, the test of one month identified an additional 20 students that were reported as present, though they did not sign in on the attendance sheets.

Effect

The District is unable to provide the necessary written records supporting data reported to the State. There is no effect on funding as the District met the attendance goal for 2013-2014.

Cause

District was using manual sign-in and sign-out sheets and incorrectly tallied the attendance or entered students as present although they were not present during certain days of attendance.

Recommendation

The District should ensure totals calculated for monthly attendance are accurately reported on the State semi-annual report. In addition, we recommend that the first semi-annual attendance report be revised to accurately reflect the attendance for the 2013-2014 year.

Current Status

Implemented.

2014-006 10000

Weekly Teacher Certification

Criteria or Specific Requirements

As per Title 5, Section 400, and *Education Code* Section 46000, when teachers are taking online attendance, the rosters are required to be printed out and signed by the teacher to indicate their review and agreement of the attendance reported on a contemporaneous basis.

Condition

At three of the school sites tested, teachers did not consistently maintain signed attendance rosters on a weekly basis.

Questioned Costs

None. We found no misstated ADA.

Context

The error was recurring at one school site tested, as they did not have any signed rosters on file. At the other two sites identified, one was missing 7 out of 70, and the other was missing 28 out of 70 weekly attendance certifications.

Effect

We found no misstated ADA as a result of this internal control weakness.

Cause

The site was unaware of this requirement.

Recommendation

When teachers are taking online attendance, the rosters should be printed out and signed by the teacher on a weekly basis to indicate their review and agreement of the attendance reported. We recommend that the rosters be signed and dated on a weekly basis as required by CDE to create a valid contemporaneous record. Alternatively, the District may seek approval for digital signatures, but a digital signature must first be approved by CDE.

Current Status

Implemented.

2014-007 40000

Unduplicated Pupil Count

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition

During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted 19 students who were reported as free or reduced priced meal eligible who did not have an application on file for the 2013-14 fiscal year, that did not qualify based on the application received, or that were in the Child Nutrition System as Direct Certified but the District did not have sufficient evidence to support this designation. We then expanded our sample and noted an additional 21 exceptions, noting the same causes.

Questioned Costs

$27,563. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Context

We noted errors in the three schools that we tested.

Effect

The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

	Adjusted based on eligibility for:		
	CALPADS Reported	FRPM	Adjusted Total
School Site			
Cobalt Institute of Math and Science Academy	582	(8)	574
Goodwill High	149	(10)	139
Victor Valley High	1,648	(22)	1,626
Aggregate remaining school sites	5,277	-	5,277
District-Wide	7,656	(40)	7,616

The enrollment count of 9,459 was not impacted as a result of the procedures performed.

Recommendation

We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.

Current Status

Implemented.

Governing Board
Victor Valley Union High School District
Victorville, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2015, on the government-wide financial statements of the District.

VACATION ACCRUAL

Observation

We reviewed the collective bargaining unit agreement for classified staff and identified that the absolute maximum carryover of vacation for these employees is 468 hours. The maximum amount of hours allowed is dependent on the employee's number of years of service at the District. After reviewing the schedule of compensated absences (vacation accrual), we noted 45 employees that have accrued vacation at the maximum carryover limit. While the District has made efforts to reduce the vacation liability, should employees request payment, the cost of the carryover is estimated to be $468,150 as of June 30, 2015.

Recommendation

The District should continue to encourage employees to take their earned vacation during the year. The District should continue to monitor the balances and enforce the carryover limitations.

CAFETERIA SALES

Observation

School site cafeterias are manually accounting for meals provided to the students who cannot pay for their meals; but the process does not allow for a reconciliation of meals provided and cash collected. The meals are coded as paid student meals which would not agree to the cash collected.

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Recommendation

Nutrition Services should establish a separate code in their WebSMART point of sale system to identify meals served to students who cannot pay. It will allow cafeterias at each school site to reconcile meals served to cash collected more accurately. Additionally, it will also allow for proper investigation of large variances between meals served and cash collected since the variances cannot be attributed to students who cannot pay for their meals as they will be tracked with a separate code.

ASSOCIATED STUDENT BODY FUNDS (ASB)

Hook Jr. High

Observations

During the testing of student body funds, the following issued were noted:

- All four deposits selected for testing were not deposited in a timely manner. The late deposit times ranged from 17 to 27 days.
- The site utilized tickets for dances and other social events. However, the site does not maintain a ticket log that that monitors the ticket stock use with ticket beginning/ending numbers.
- Advisors did not explicitly sign for their deposits indicating that they agree with the amount being receipted. Two fundraisers did not have a Revenue Potential form completed and four fundraisers did not provide for an explanation of the difference between estimated and actual revenues.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit.
- A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. 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 to. This allows the ASB to monitor the use of tickets and assist in detecting misappropriation of assets. In addition, ticket rolls should be safeguarded as it they were cash because lost tickets equate lost revenue for the ASB.
- Site should make adjustment to current deposit form to include a line in which an advisor could sign for amounts being deposited. The revenue potential form is a vital internal control tool and 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.

Governing Board
Victor Valley Union High School District

Silverado High School

Observations

During the testing of student body funds, the following issued were noted:

- Two out of 11 deposits selected for testing were not deposited in a timely manner. The late deposit times ranged from 11 to 22 days.
- One deposit in transit did not clear in the subsequent month's bank statement. The deposit dated April 10, 2014 had not cleared as of February 28, 2015.
- Inventory counts are not maintained for items held within the student store.
- ASB Advisors/Clubs did not provide supporting documentation (receipt logs) for monies collected for one fundraising activity. One of the four fundraisers tested did not have the Revenue Potential form actual revenue collected section completed.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit.
- Internal control procedures of ASB, requires that Bank Reconciliations be prepared monthly and all records be readily available for review. The deposits in transit should be investigated in order to determine whether there is an explanation for the amount.
- The site should maintain physical inventory counts in order to verify that amounts agree to system. This allows for the identification of any missing inventory.
- All fundraising events deposits and or sales deposits should include a line item description of amounts collected. Amounts actually collected should be indicated on Revenue Potential forms. The revenue potential form is a vital internal control tool and 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.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015