NEWPORT-MESA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Newport-Mesa Unified School District
Costa Mesa, 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 Newport-Mesa Unified 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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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newport-Mesa Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 16 and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 73 through 76, 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.

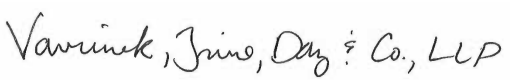
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newport-Mesa Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Newport-Mesa Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Newport-Mesa Unified School District's internal control over financial reporting and compliance.



Rancho Cucamonga, California
November 30, 2015

NEWPORT-MESA Unified School District

2985 Bear Street • Costa Mesa • California 92626 • (714) 424-5000

BOARD OF EDUCATION

Dana Black • Walt Davenport • Martha Fluor

Judy Franco • Charlene Metoyer • Vicki Snell • Karen Yelsey

Frederick Navarro, Ed.D., Superintendent

This section of Newport-Mesa Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

The *Proprietary Fund* is prepared using the economic resources measurement focus and the 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.

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 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.

All of the District's services are reported in governmental activities. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statement of Net Position.* These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Major financial highlights for the 2014-2015 year include adapting to the numerous changes imposed with the adoption of the Property Tax - Local Control Funding Formula (LCFF).

The Property Tax - LCFF was developed in an attempt to simplify how State funding is provided to local educational agencies. Revenue limits and most State categorical programs were eliminated. Districts now receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve student outcomes. Funding targets are created that consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. Districts must now draft a priority setting document called the Local Control Accountability Plan, or LCAP, which lays out the main objectives for meeting the learning requirements of high need students.

The Property Tax - LCFF has significantly different meaning for Newport-Mesa as a district wholly reliant on its own property tax flow rather than on state funds. We come under the same strictures as all other school districts, but the State provides very little of the annual revenue from State sources. Nonetheless, as the laws pertaining to Property Tax - LCFF apply to all school districts the State will continue to dictate how monies are spent, even though the State no longer provides the funding. Newport-Mesa USD is required to spend a specific amount of its total funds on actions and services that benefit low-income, foster youth, and English learner populations. This specified amount is called Property Tax - LCFF Supplementary funding and is calculated according to set regulations. For Newport-Mesa USD, it amounts to $11,413,963.

Newport-Mesa USD has chosen to utilize the majority of Property Tax – LCFF Supplementary funds on a district-wide basis, with the exception of $806,345 divided among schools to provide flexibility in meeting school site specific instructional needs. Newport-Mesa USD has focused on differentiated goals and methods that address areas of proficiency that are germane to both low-achieving and other subgroups. To maximize the District's scarce resources in delivering services to all students Newport-Mesa USD has chosen a strategy of utilizing economies of scale. Combined with assertive identification of those students who are falling behind, the specific skills they are not mastering, and intervention programs based on individual student needs, this strategy ensures an undiluted effort in addressing the needs of target populations.

The District has continued substantially upgrading its facilities and infrastructure which is funded by Measure A and Measure F General Obligation bonds. In 2007-2008, the Measure A Modernization Program completed its final projects. Funds remain available until final closeout with the State audit process, the Office of Public School Construction (OPSC). Measure F provides for the levy of a special tax to support $282 million in general obligation bonds to increase access to educational opportunities for all students, provide facilities to meet current State educational requirements and improve student safety by completing specific projects throughout the District.

In 2014-2015, two restricted programs had expenditures that significantly exceeded their revenue: Special Education and Transportation (Special Education Transportation and Home-to-School Transportation). The term used when restricted program expenditures exceed the agency approved revenue is "Encroachment." When encroachment occurs, funds must be "contributed" from unrestricted funds to offset the restricted program deficit.

Most school agencies throughout Orange County have been between 40 to 70 percent greater expenses than revenue (encroachment) for Special Education and Transportation. In 2014-2015, District Special Education encroachment on the General Fund was $21.3 million (53.4 percent greater expenses than revenue) and Transportation encroachment on the General Fund was $6.4 million (95.7 percent greater expenses than revenue).

Correcting the shortfalls in funding for Special Education and Transportation require additional State aid. At the present time, inadequate resources to meet legal mandates leaves the District in the position of drawing money from all other parts of the budget to pay for Special Education and Transportation.

Overall, the District has been able to maintain its level of significant programs and services. This is a direct result of the Board of Education's fiscal prudence and foresight.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(73.0) million for the fiscal year ended June 30, 2015. Of this amount, $(193.1) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1 - Net Position) and change in net position (Table 2 - Changes in Net Position) of the District's governmental activities.

Table 1 - Net Position

	Governmental Activities	
	2015	2014 as restated
ASSETS		
Current and other assets	$ 165,876,466	$ 185,447,313
Capital assets	332,463,832	323,867,092
Total Assets	**498,340,298**	**509,314,405**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	4,013,814	4,363,681
Current year pension contribution	15,545,533	13,336,508
Total Outflow of Resources	**19,559,347**	**17,700,189**
LIABILITIES		
Current liabilities	17,673,344	27,658,756
Long-term obligations	339,606,861	328,493,874
Aggregate net pension liability	181,587,148	232,361,350
Total Liabilities	**538,867,353**	**588,513,980**
DEFERRED INFLOWS OF RESOURCES		
Net change in proportionate share of net pension liability	2,918,893	-
Difference between projected and actual earnings on pension plan investments	49,066,510	-
Total Outflow of Resources	**51,985,403**	**-**
NET POSITION		
Net investment in capital assets	104,308,861	108,322,008
Restricted	15,876,465	17,617,550
Unrestricted	(193,138,437)	(187,438,944)
Total Net Position	**$ (72,953,111)**	**$ (61,499,386)**

The $(193.1) million 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 3.0 percent from $(187.4) million in 2014.

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 18. Table 2 takes the information from the statement and rearranges it slightly so you can see our total revenues for the year.

Table 2 - Changes in Net Position

	Governmental Activities	
	2015	**2014**
Revenues		
Program revenues:		
Charges for services	$ 2,061,062	$ 1,847,949
Operating grants and contributions	47,995,899	51,869,254
Capital grants and contributions	11	49
General revenues:		
Federal and State aid not restricted	16,641,280	13,045,122
Property taxes	215,945,600	204,967,361
Other general revenues	7,262,887	5,500,782
Total Revenues	**289,906,739**	**277,230,517**
Expenses		
Instruction-related	186,830,516	175,547,938
Student support services	27,815,852	27,138,192
Administration	16,379,039	14,006,867
Maintenance and operations	30,692,686	26,536,355
Other	39,642,371	35,886,672
Total Expenses	**301,360,464**	**279,116,024**
Change in Net Position	**$ (11,453,725)**	**$ (1,885,507)**

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was $301.4 million. However, $50.1 million of that balance was financed from the District's program revenues.

This represents the total cost less:1) the costs paid by those who benefited from the programs ($2.1 million) and 2) by other governments and organizations who subsidized certain programs with grants and contributions ($48.0 million). Of the $289.9 million, local taxpayers paid $215.9 million.

In Table 3 - Net Cost of Governmental Activities, we have presented the cost and net cost of each of the District's major functions - instruction; instruction related activities (including supervision of instruction; instructional library, media, and technology; and school site administration); pupil services (including home-to-school transportation; food services; and all other pupil services); general administration (including data processing; and all other general administration); plant services; ancillary services; enterprise services; interest on long-term obligations; other; and depreciation (unallocated). 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 - Net Cost of Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost* of Services	Total Cost of Services	Net Cost* of Services
Instruction	$ 152,878,995	$ 122,242,483	$ 144,720,442	$ 115,984,192
Instruction-related activities:				
Supervision of instruction	12,476,036	8,712,326	10,509,565	5,393,839
Instructional library, media, and technology	3,147,046	2,759,700	2,676,395	2,463,897
School site administration	18,328,439	17,550,510	17,641,536	16,398,125
Pupil Services:				
Home-to-school transportation	6,539,521	6,507,568	6,258,793	6,233,157
Food services	9,306,935	1,139,331	9,104,156	734,745
Other pupil services	11,969,396	8,816,598	11,775,243	8,333,727
General Administration:				
Data processing	6,639,518	6,639,518	5,479,784	5,479,784
All other general administration	9,739,521	7,638,987	8,527,083	6,609,729
Plant services	30,692,686	30,650,534	26,536,355	26,469,290
Ancillary services	3,189,801	2,601,833	3,064,304	2,813,989
Enterprise services	5,555	5,555	2,404	2,404
Interest on long-term obligations	14,610,663	14,610,663	14,162,543	14,162,543
Other	2,991,369	2,582,903	2,832,517	(1,505,553)
Depreciation (unallocated)	18,844,983	18,844,983	15,824,904	15,824,904
Total	**$ 301,360,464**	**$ 251,303,492**	**$ 279,116,024**	**$ 225,398,772**

* Net of charges for services and sales, and operating and capital grants.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $139.4 million, which is a decrease of $9.8 million from last year (Table 4 - Governmental District Funds).

Table 4 - Governmental District Funds

	Balances and Activity			
	July 1, 2014	**Revenues**	**Expenditures**	**June 30, 2015**
General Fund	$ 64,717,952	$ 264,588,701	$ 269,474,196	$ 59,832,457
Special Reserve Fund for Capital Outlay Projects	45,064,581	18,844,189	9,091,971	54,816,799
Adult Education Fund	84,455	483,224	542,491	25,188
Child Development Fund	102,282	2,374,655	2,271,772	205,165
Cafeteria Fund	217,203	9,385,345	9,451,302	151,246
Deferred Maintenance Fund	481,043	751,224	1,232,267	-
Measure A, F Building Funds	27,385,112	33,542	16,955,349	10,463,305
Capital Facilities Fund	3,054,679	2,787,299	466,353	5,375,625
County School Facilities Fund	5	11	16	-
Bond Interest and Redemption Fund	8,127,764	10,369,081	9,953,288	8,543,557
Total	**$ 149,235,076**	**$ 309,617,271**	**$ 319,439,005**	**$ 139,413,342**

The main reason for the decrease in the combined fund balance is activity within the Building Funds. The net decrease of the Building Funds totals $16.9 million. This decrease was partially offset by increases of $9.8 million in the Special Reserve Fund and $2.3 million in the Capital Facilities Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 73.) The District experienced a total fund balance increase of $452,629 between its original and final budgets. The final budgeted revenues were $4.0 million more than expected and net financing sources and uses were $200,510 more than projected. Drivers of the variances include the following:

- The District enjoys strong community financial support which accumulates over the course of the year resulting in large revenue budget variances between original and final budgets.

- Budgeted expenditures reflect a spend-every-dollar assumption which does not occur on an actual basis resulting in favorable expenditure budget variances.

- Substantial property tax revenue was realized throughout the year which was undeterminable at the time the budget was published.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $332.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment based on historical value. This amount represents a net increase (including additions, deductions, and depreciation) of $8.6 million, or 2.7 percent, from last year.

Several major changes in 2014-2015 relate to projects for Measure F. These include decreases of $44.9 million for land improvement and construction in process. These decreases were offset by an increase of $54.0 million for buildings and improvements.

Table 5 - Capital Assets

	Governmental Activities	
	2015	**2014**
Land and construction in process	$ 53,130,984	$ 100,388,804
Land improvements	24,617,433	22,295,653
Buildings and improvements	237,453,361	183,490,988
Portable classrooms and structures	7,536,588	8,182,911
Equipment	9,725,466	9,508,736
Total	**$ 332,463,832**	**$ 323,867,092**

This year's additions (shown below as the net of deletions, transfers from work in progress, and accumulated depreciation adjustments) include:

	2015	**2014**
Land and construction in process	$ (47,257,820)	$ 42,168,231
Land improvements	2,321,780	(1,412,072)
Buildings and improvements	53,962,373	(11,481,221)
Portable classrooms and structures	(646,323)	(653,113)
Furniture and equipment	410,678	(111,761)
Vehicles	(193,948)	1,080,061
Total	**$ 8,596,740**	**$ 29,590,125**

This year's changes include several Measure F related projects, vehicles, cafeteria equipment, and classroom equipment such as computers.

Several capital projects are planned for the 2015-2016 year. Additional detail regarding capital assets is provided in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $339.6 million in outstanding debt versus $328.5 million last year, an increase of 3.4 percent. The increase can be attributed to an increase in pension liability and general obligation bonds. The District's outstanding debt at year-end consisted of:

Table 6 - Outstanding Debt at Year-End

	Governmental Activities	
	2015	2014 as restated
General obligation bonds (financed with property taxes)	$ 288,109,847	$ 283,772,227
Capitalized lease obligations	574,464	792,454
Postemployment benefits	34,501,904	29,731,679
Other	16,420,646	14,197,514
Total	**$ 339,606,861**	**$ 328,493,874**

The District's general obligation bond rating is Aa1. The Aa1 rating reflects the District's exceptionally large-sized tax base, well above-average income levels of District residents, deep entrenchment in Basic Aid status, maintenance of moderate reserve levels, and minimal debt burdens. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $288.1 million is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable and estimated insurance claims. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

Net Pension Liability (NPL)

As of June 30, 2015, the District's net pension liability was $181,587,148. The June 30, 2014 net pension liability, as restated in accordance with GASB Statement No. 68 was $219,024,842.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

Following the guidelines provided in the District's strategic plan, District staff has made significant achievements in 2014-2015. Just a few of those achievements are listed below:

- The U.S. News and World Report's 2015 Best High Schools awarded Corona del Mar with a gold medal. Costa Mesa, Early College, Estancia, and Newport Harbor all received silver medals. This poll took into consideration various components such as Graduation Rates, College Acceptance Rates, and Test Scores.
- The Educational Results Partnership recognized six Newport-Mesa Unified School District Schools as Scholar Schools. These are awarded to high performing schools without significant levels of low-income students.
- Early College High School was recognized as a 2015 California Gold Ribbon School.
- Alfredo Perez, Head Custodian at Rea Elementary, was recognized as a 2015 Classified School Employee of the Year by the State Superintendent of Public Instruction.

Due to the financial prudence and foresight of the District's Board of Education, the District has been able to maintain its level of significant programs and services and still remain on a sound financial footing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are the following:

- Basic Aid District: The District's assessed valuation has grown on average over the past five years at a rate of 4.1 percent per year which is higher than the rate of growth for the combined elements of student growth and cost of living adjustments through State funding. Because assessed valuation is the basis of the computation of tax revenue, the reported growth in assessed valuation will be somewhat indicative of the growth in property tax revenue. Consistent with the District's expectations for growth in assessed valuation, the District's tax projection growth for 2015-2016 is 5.32 percent, exclusive of redevelopment/residual property tax.
- Under Property Tax - LCFF, basic aid districts will receive minimum State funding of no less than the amount received in 2012-2013. The hold harmless amount is calculated based on the categorical allocation net of 8.92 percent fair share reduction. The 2014-2015 minimum guarantee for Newport-Mesa Unified School District is $7,643,294.
- Education Protection Account Funding
- Lottery Funding
- Other Local Funding inclusive of the following:
    - Various Donations
    - Community Redevelopment
    - Interest
    - Leases
    - Fees

Expenditures are based on the following forecasts:

- Salaries and benefits inclusive of a 2.5 percent salary increase and benefit rates consistent with stated District or 3rd party requirements.
- School Site Resource funding consistent with established per student rates.
- Projected operations expenditures inclusive of the following:
    - Utilities
    - Supplies and Contract Services
    - Debt Service

	Staffing Ratio	Enrollment
Grades kindergarten through third	29.0:1	6,354
Grades four through six	29.0:1	4,980
Grades seven through twelve	31.0:1	8,649

For now, we can say that we have been prepared. As a result, we continue to be "Solvent and Moving Forward." As with each year's Budget, this Budget has been prepared based on the best information and anticipation the District staff can provide.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent and Chief Business Official at 2985 Bear Street, Building A, Costa Mesa, CA 92626-4300.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 155,525,374
Receivables	10,014,253
Prepaid expenses	27,927
Stores inventories	308,912
Capital Assets	
Land and work in progress	53,130,984
Other capital assets	470,062,724
Less: accumulated depreciation	(190,729,876)
Total Capital Assets	332,463,832
Total Assets	498,340,298
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,013,814
Current year pension contribution	15,545,533
Total Deferred Outflows of Resources	19,559,347
LIABILITIES	
Accounts payable	15,291,630
Accrued interest payable	1,765,740
Unearned revenue	615,974
Current portion of long-term obligations other than pensions	9,251,895
Noncurrent portion of long-term obligations other than pensions	330,354,966
Total Long-Term Obligations	339,606,861
Aggregate net pension liability	181,587,148
Total Liabilities	538,867,353
DEFERRED INFLOWS OF RESOURCES	
Net change in proportionate share of net pension liability	2,918,893
Difference between projected and actual earnings on pension plan investments	49,066,510
Total Deferred Inflows of Resources	51,985,403
NET POSITION	
Net investment in capital assets	104,308,861
Restricted for:	
Debt service	6,777,817
Capital projects	5,375,625
Educational programs	3,517,858
Other activities	205,165
Unrestricted	(193,138,437)
Total Net Position	$ (72,953,111)

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

NEWPORT-MESA UNIFIED 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	$ 152,878,995	$ 172,267	$ 30,464,234	$ 11	$ (122,242,483)
Instruction-related activities:					
Supervision of instruction	12,476,036	20,285	3,743,425	-	(8,712,326)
Instructional library, media, and technology	3,147,046	2,162	385,184	-	(2,759,700)
School site administration	18,328,439	7,685	770,244	-	(17,550,510)
Pupil services:					
Home-to-school transportation	6,539,521	40	31,913	-	(6,507,568)
Food services	9,306,935	1,724,140	6,443,464	-	(1,139,331)
All other pupil services	11,969,396	22,736	3,130,062	-	(8,816,598)
Administration:					
Data processing	6,639,518	-	-	-	(6,639,518)
All other administration	9,739,521	93,284	2,007,250	-	(7,638,987)
Plant services	30,692,686	728	41,424	-	(30,650,534)
Ancillary services	3,189,801	17,735	570,233	-	(2,601,833)
Enterprise services	5,555	-	-	-	(5,555)
Interest on long-term obligations	14,610,663	-	-	-	(14,610,663)
Other outgo	2,991,369	-	408,466	-	(2,582,903)
Depreciation (unallocated)[1]	18,844,983	-	-	-	(18,844,983)
Total Governmental Activities	$ 301,360,464	$ 2,061,062	$ 47,995,899	$ 11	(251,303,492)
General revenues and subventions:					
Property taxes, levied for general purposes					205,149,238
Property taxes, levied for debt service					10,317,680
Taxes levied for other specific purposes					478,682
Federal and State aid not restricted to specific purposes					16,641,280
Interest and investment earnings					567,750
Miscellaneous					6,695,137
Subtotal, General Revenues					239,849,767
Change in Net Position					(11,453,725)
Net Position - Beginning, as restated					(61,499,386)
Net Position - Ending					$ (72,953,111)

[1] This amount excludes any depreciation that is included in the direct expenses of the various programs.

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund (01)	Special Reserve Fund for Capital Outlay Projects (40)	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 78,633,175	$ 40,349,445	$ 26,242,048	$ 145,224,668
Receivables	8,718,149	16,923	1,275,364	10,010,436
Due from other funds	1,486,531	16,489,786	175,534	18,151,851
Prepaid expenditures	27,927	-	-	27,927
Stores inventories	157,666	-	151,246	308,912
Total Assets	$ 89,023,448	$ 56,856,154	$ 27,844,192	$ 173,723,794
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 11,724,849	$ 2,039,355	$ 1,491,300	$ 15,255,504
Due to other funds	16,954,581	-	1,484,393	18,438,974
Unearned revenue	511,561	-	104,413	615,974
Total Liabilities	29,190,991	2,039,355	3,080,106	34,310,452
Fund Balances:				
Nonspendable	335,593	-	151,246	486,839
Restricted	3,517,858	-	24,587,652	28,105,510
Assigned	25,753,304	54,816,799	25,188	80,595,291
Unassigned	30,225,702	-	-	30,225,702
Total Fund Balances	59,832,457	54,816,799	24,764,086	139,413,342
Total Liabilities and Fund Balances	$ 89,023,448	$ 56,856,154	$ 27,844,192	$ 173,723,794

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 139,413,342**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following:	$ 523,193,708	
Accumulated depreciation is the following:	(190,729,876)	332,463,832
Expenditures relating to issuance and refunding of debt were recognized on the modified accrual basis. Under the accrual basis, these expenditures are capitalized and will be amortized as an adjustment to interest expense.		4,013,814
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		15,545,533
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,765,740)
The net effect of proportionate share of net pension liability as of the measurement date is not recognized as an expenditures under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits		(2,918,893)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are as follows:		148,372
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.		(49,066,510)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(181,587,148)
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 the following:		
General obligation bonds	231,244,149	
Unamortized premium on issuance	8,929,878	
Capital leases	574,464	
Compensated absences (vacations)	4,129,899	
Other postemployment benefits (OPEB)	34,501,904	
California energy commission loan	1,883,599	
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is the following.	47,935,820	(329,199,713)
Total Net Position - Governmental Activities		**$ (72,953,111)**

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	General Fund (01)	Special Reserve Fund for Capital Outlay Projects (40)	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$216,985,641	$ -	$ -	$216,985,641
Federal sources	10,247,699	-	6,378,170	16,625,869
Other State sources	25,572,991	-	2,785,719	28,358,710
Other local sources	11,535,679	177,831	15,091,693	26,805,203
Total Revenues	264,342,010	177,831	24,255,582	288,775,423
EXPENDITURES				
Current				
Instruction	148,393,921	-	2,285,073	150,678,994
Instruction-related activities:				
Supervision of instruction	12,131,777	-	148,023	12,279,800
Instructional library, media and technology	3,022,719	-	-	3,022,719
School site administration	17,640,029	-	228,974	17,869,003
Pupil services:				
Home-to-school transportation	6,281,688	-	-	6,281,688
Food services	117,405	-	8,971,136	9,088,541
All other pupil services	11,749,730	-	1,138	11,750,868
Administration:				
Data processing	6,468,246	-	-	6,468,246
All other administration	8,797,603	-	613,487	9,411,090
Plant services	29,288,550	7,810	1,392,700	30,689,060
Facility acquisition and construction	275,556	9,054,812	17,208,357	26,538,725
Ancillary services	3,131,560	-	-	3,131,560
Other outgo	2,991,369	-	-	2,991,369
Debt service				
Principal	396,869	-	5,610,000	6,006,869
Interest and other	25,616	29,349	4,346,138	4,401,103
Total Expenditures	250,712,638	9,091,971	40,805,026	300,609,635
Excess (Deficiency) of Revenues Over Expenditures	13,629,372	(8,914,140)	(16,549,444)	(11,834,212)
Other Financing Sources (Uses)				
Transfers in	67,812	16,782,759	1,928,799	18,779,370
Other sources - capital leases	178,879	-	-	178,879
Other sources - energy loan		1,883,599	-	1,883,599
Transfers out	(18,761,558)	-	(67,812)	(18,829,370)
Net Financing Sources (Uses)	(18,514,867)	18,666,358	1,860,987	2,012,478
NET CHANGE IN FUND BALANCES	(4,885,495)	9,752,218	(14,688,457)	(9,821,734)
Fund Balances - Beginning	64,717,952	45,064,581	39,452,543	149,235,076
Fund Balances - Ending	$ 59,832,457	$ 54,816,799	$ 24,764,086	$139,413,342

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ (9,821,734)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 27,463,586	
Depreciation expense	(18,844,983)	8,618,603
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(21,863)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.		(178,879)
Proceeds received from a multi-year loan is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year the District received $1,883,598 in proceeds from the California Energy Commission's energy loan.		(1,883,598)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amounts used by $339,533.		(339,533)
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.		997,823
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual OPEB expense and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual OPEB expense.		(4,770,225)

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
JUNE 30, 2015

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of premium on issuance on general obligations bonds	$ 717,396	
Amortization of deferred amount on refunding of general obligation bonds	(349,867)	$ 367,529
Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces the long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		5,610,000
Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces the long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		396,869
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors. First, accrued interest on long-term obligations decreased by $87,927 and second, $10,665,016 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(10,577,089)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		148,372
Change in Net Position of Governmental Activities		**$ (11,453,725)**

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 10,300,706
Receivables	3,817
Due from other funds	289,261
Total Current Assets	$ 10,593,784
LIABILITIES	
Current Liabilities	
Accounts payable	$ 36,126
Due to other funds	2,138
Current portion of claims liability	2,442,195
Total Current Liabilities	2,480,459
Noncurrent Liabilities	
Noncurrent portion of claims liability	7,964,953
Total Liabilities	$ 10,445,412
NET POSITION	
Restricted	$ 148,372

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 3,204,007
OPERATING EXPENSES	
Payroll costs	112,376
Professional and contract services	2,751,250
Supplies and materials	166
Other operating cost	276,125
Total Operating Expenses	3,139,917
Operating Income	64,090
NONOPERATING REVENUES	
Interest income	34,282
Loss Before Transfers	98,372
Transfers in	50,000
Change in Net Position	148,372
Total Net Position - Beginning	-
Total Net Position - Ending	$ 148,372

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 3,058,416
Cash payments to other suppliers of goods or services	(2,777,249)
Cash payments to employees for services	(112,376)
Other operating cash payments	(276,125)
Net Cash Used By Operating Activities	(107,334)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	50,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	34,282
Net Decrease in Cash and Cash Equivalents	(23,052)
Cash and Cash Equivalents - Beginning	10,323,758
Cash and Cash Equivalents - Ending	$ 10,300,706
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	$ 64,090
Changes in assets and liabilities:	
Receivables	(329)
Due from other fund	(145,740)
Accrued liabilities	(25,833)
Due to other fund	478
NET CASH USED BY OPERATING ACTIVITIES	$ (107,334)

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Deposits and investments	$ 2,994,378
Receivables	8,734
Stores inventories	27,633
Total Assets	$ 3,030,745
LIABILITIES	
Accounts payable	$ 5,589
Due to student groups	1,138,177
Due to bond holders	1,886,979
Total Liabilities	$ 3,030,745

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Newport-Mesa Unified School District (the District) was unified in 1966 under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades kindergarten - twelve as mandated by the State and Federal agencies. The District operates 22 elementary schools, two middle schools, two 7-12 grade schools, two comprehensive high schools, one early college high school, one adult education center, and two alternative education centers for a total of 32 schools.

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

Component Units

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

The Newport-Mesa Unified School District Community Facilities District (the CFD) and the Newport-Mesa Unified School District Public Financing Authority (the Financing Authority), have financial and operational relationships with the Newport-Mesa Unified School District which meet the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the CFD and the Financing Authority as component units of Newport-Mesa Unified School District. The CFD's financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of Newport-Mesa Unified School District and are not included in the District-wide financial statements. While the Financing Authority still exists, there were no reportable activities associated with the Financing Authority during the current year.

Joint Venture

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, the Irvine Unified School District, and the Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. The District does not include the Authority as a component unit, as the District is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the District. Complete separate financial statements can be obtained at the Newport-Mesa Unified School District, 2985 Bear Street, Costa Mesa, California.

Basis of Presentation - Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's 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 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, 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 fund balance of $25,224,453 as of June 30, 2015.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities 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.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes *(Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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).

Measure A, F Building Fund The Measure A, F Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

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 Schools Facilities Fund The County Schools Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive the apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), 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 42840).

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 obligations.

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

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

Internal Service Fund Internal Service Fund may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an Internal Service Fund.

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the 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 general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 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 county and State investment pools 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 paid.

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 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. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable classrooms and structures, 25 years; equipment, five to 15 years; vehicles, 15 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

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs and costs of refunding as debt service expenditures. Issuance costs, and costs of refunding, whether or not withheld from the actual debt proceeds received, 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 unamortized loss on the refunding of general obligation bonds and current year pension contributions.

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 and for the unamortized amount on net change in proportionate share of 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.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports $15,876,465 of restricted net position, which is restricted by enabling legislation.

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 on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

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

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 March 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 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 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 $219,024,842. The decrease results from recognizing the net pension liability and 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 inter-period 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 non-authoritative 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	$ 155,525,374
Fiduciary funds	2,994,378
Total Deposits and Investments	$ 158,519,752

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

Cash on hand and in banks	$ 4,732,590
Cash in revolving	150,000
Investments	153,637,162
Total Deposits and Investments	$ 158,519,752

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 manages its exposure to interest rate risk by investing in the Orange County and Los Angeles County Investment Pools and short-term money market funds.

Specific Identification

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

Investment Type	Carrying Amount	Fair Value	Average Days to Maturity
Orange County Investment Pool	$ 145,071,172	$ 145,228,244	370
Los Angeles County Investment Pool	1,715,641	1,715,641	595
Federated Treasury Obligations Fund	6,850,349	6,850,349	38
Total	$ 153,637,162	$ 153,794,234	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Federated Treasury Obligations Fund are rated AAA by Standard and Poor's. The District's investment in the Orange County Investment Pool and Los Angeles County Investment Pool are not required to be rated, nor have they been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. The District's policy states that monies received and deposited with a financial institution shall be in accounts that are fully covered by Federal insurance. In addition, 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 $4,416,339 was exposed to custodial credit risk because it was uninsured, but collateralized with securities held by the pledging of 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	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	$ 4,138,032	$ -	$ 535,280	$ -	$ 4,673,312	$ -
State Government						
Categorical aid	515,207	-	554,933	-	1,070,140	-
Lottery	2,009,325	-	-	-	2,009,325	-
Local Government						
Interest	31,098	15,423	4,293	3,817	54,631	-
Due from local LEAs	480,083	-	101,611	-	581,694	
Due from municipalities	-	-	70,507		70,507	
Other Local Sources	1,544,404	1,500	8,740	-	1,554,644	8,734
Total	$ 8,718,149	$ 16,923	$ 1,275,364	$ 3,817	$ 10,014,253	$ 8,734

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	$ 21,548,963	$ -	$ -	$ 21,548,963
Construction in process	78,839,841	25,871,768	73,129,588	31,582,021
Total Capital Assets Not Being Depreciated	100,388,804	25,871,768	73,129,588	53,130,984
Capital Assets Being Depreciated				
Land improvements	30,293,996	3,917,120	-	34,211,116
Buildings and improvements	322,678,595	69,059,881	-	391,738,476
Portable classrooms and structures	17,601,242	-	-	17,601,242
Furniture and equipment	14,041,242	1,314,585	115,140	15,240,687
Vehicles	10,952,333	429,820	110,950	11,271,203
Total Capital Assets Being Depreciated	395,567,408	74,721,406	226,090	470,062,724
Less Accumulated Depreciation				
Land improvements	7,998,343	1,595,340	-	9,593,683
Buildings and improvements	139,187,607	15,097,508	-	154,285,115
Portable classrooms and structures	9,418,331	646,323	-	10,064,654
Furniture and equipment	9,481,454	886,927	98,160	10,270,221
Vehicles	6,003,385	618,885	106,067	6,516,203
Total Accumulated Depreciation	172,089,120	18,844,983	204,227	190,729,876
Governmental Activities Capital Assets, Net	$ 323,867,092	$ 81,748,191	$ 73,151,451	$ 332,463,832

Depreciation expense was charged to governmental functions as unallocated.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Internal Service	Total
General Fund	$ -	$ 1,484,393	$ 2,138	$ 1,486,531
Special Reserve Fund for Capital Outlay Projects	16,489,786	-	-	16,489,786
Non-Major Governmental Funds	175,534	-	-	175,534
Internal Service Fund	289,261	-	-	289,261
Total	$ 16,954,581	$ 1,484,393	$ 2,138	$ 18,441,112

A balance of $836,493 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from reimbursement of various operating costs, including indirect costs.

A balance of $378,126 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of various operating costs, including indirect costs.

A balance of $201,978 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from reimbursement of various operating costs, including indirect costs.

A balance of $16,489,786 due to the Special Reserve Fund for Capital Outlay Projects from the General Fund resulted from a transfer of one-time redevelopment funds set aside for future capital outlay projects.

A balance of $289,261 due to the Internal Service Fund from the General Fund resulted from a contribution to cover the District's current and future workers' compensation activities.

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

Operating Transfers

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

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 67,812	$ 67,812
Special Reserve Fund for Capital Outlay Projects	16,782,759	-	16,782,759
Non-Major Governmental Funds	1,928,799	-	1,928,799
Internal Service Fund	50,000	-	50,000
Total	$ 18,761,558	$ 67,812	$ 18,829,370

The General Fund transferred to the Internal Service Fund to cover costs arising from the District's workers' compensation claims.	$ 50,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for on-going and future capital outlay projects.	16,782,759
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for contributions related to the District's deferred maintenance projects.	750,000
The General Fund transferred to the Adult Education Non-Major Governmental Fund for operating contributions.	274,528
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating contributions.	904,271
The Deferred Maintenance Non-Major Governmental Fund transferred to the General Fund for excess deferred maintenance account contribution.	67,796
The County School Facilities Non-Major Governmental Fund transferred to the General Fund its interest earnings.	16
Total	$ 18,829,370

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 5,791,306	$ -	$ 640,603	$ -	$ 6,431,909	$ -
Materials and supplies	810,092	2,079	397,438	-	1,209,609	-
Services and other operating	4,461,643	2,586	186,990	36,126	4,687,345	-
Construction	428,000	2,032,418	-	-	2,460,418	-
Other vendor payables	233,808	2,272	266,269	-	502,349	5,589
Total	$ 11,724,849	$ 2,039,355	$ 1,491,300	$ 36,126	$ 15,291,630	$ 5,589

NOTE 7 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 325,633	$ -	$ 325,633
Other local programs	185,928	104,413	290,341
Total	$ 511,561	$ 104,413	$ 615,974

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	$274,124,953	$ 10,665,016	$ 5,610,000	$279,179,969	$ 6,385,000
Premium on issuance	9,647,274	-	717,396	8,929,878	-
Capital leases	792,454	178,879	396,869	574,464	424,700
Compensated absences	3,790,366	339,533	-	4,129,899	-
Other postemployment benefits (OPEB)	29,731,679	7,084,068	2,313,843	34,501,904	-
California energy commission loan	-	1,883,599	-	1,883,599	-
Estimated insurance claims	10,407,148	2,442,195	2,442,195	10,407,148	2,442,195
	$328,493,874	$ 22,593,290	$11,480,303	$339,606,861	$ 9,251,895

Payments on the general obligation bonds are paid by the Bond Interest and Redemption Fund. Capital lease payments are made by the fund utilizing the equipment and modulars. The compensated absences and net pension liability will be paid by the fund for which the employee worked. Other postemployment benefits will be paid by the General Fund. The Internal Service Fund will pay the estimated insurance claims liabilities. California energy commission loan will be paid by the Special Reserve Fund for Capital Outlay Projects.

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
1/1/07	8/1/31	3.3-4.5%	$ 70,443,480	$ 77,115,584	$ 2,703,553	$ 2,675,000	$ 77,144,137
11/9/10	8/1/26	2.0-5.0%	68,660,000	62,545,000	-	2,935,000	59,610,000
6/8/11	8/1/46	3.6-7.3%	95,000,670	115,269,369	7,961,463	-	123,230,832
4/10/12	8/1/28	2.0-5.0%	19,495,000	19,195,000	-	-	19,195,000
				$ 274,124,953	$ 10,665,016	$ 5,610,000	$ 279,179,969

2005 General Obligation Bonds, Series 2007

In January 2007, the District issued $70,443,480 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2007. The bonds issued included $27,900,000 of current interest bonds and $42,543,480 of capital appreciation bonds, with the capital appreciation bonds accreting to $102,915,000. The bonds have a final maturity to occur on August 1, 2031, with interest yields of 3.3 to 4.5 percent. The District received net proceeds of $70,470,304 (including a premium of $658,043 and after payment of $631,219 for issuance costs). Proceeds from the sale of the bonds were used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2015, the principal balance outstanding was $77,144,137. Unamortized premium on issuance at June 30, 2015 was $434,306.

2000 General Obligation Refunding Bonds, Series 2010

In November 2010, the Newport-Mesa Unified School District issued 2010 Refunding Bonds in the amount of $68,660,000. The bonds have a final maturity date of August 1, 2026, with interest rates ranging of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide for the full refunding of the Series 2001 Bonds and a partial refunding of the Series 2003 Bonds. As of June 30, 2015, the principal balance of $59,610,000 remained outstanding. Unamortized premium on issuance and deferred amount on refunding were $5,244,901 and $3,597,536, respectively.

2005 General Obligation Bonds, Series 2011

In June 2011, the District issued $95,000,670 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2011. The bonds issued included $11,928,966 of convertible bonds and $83,071,704 of capital appreciation bonds. The bonds have final maturity dates through August 1, 2046, with interest yields of 3.6 to 7.3 percent. The conversion value for the convertible bonds is $22,385,000 and total accretion on the capital appreciation bonds is $537,190,398. The District received net proceeds of $95,000,670 (including a premium of $621,238 and after payment of $621,238 for issuance costs). Proceeds from the sale of the bonds will be used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2015, the principal balance outstanding was $123,230,832. Unamortized premium at June 30, 2015 was $548,759.

2000 Refunding General Obligation Bonds, Series 2012

On April 10, 2012, the Newport-Mesa Unified School District issued 2012 Refunding General Obligation Bonds in the amount of $19,495,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $22,648,995 (representing the principal amount of $19,495,000 and premium of $3,368,618, less cost of issuance of $214,623). The bonds have a final maturity which occurs on August 1, 2028 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide refunding of $22,130,000 in current interest bonds associated with the District's 2000 General Obligation Bonds, Series 2003 that was issued in the amount of $70,000,000. The refunding resulted in a cumulative cash flow saving of $4,217,467 over the life of the new debt and an economic gain of $2,886,425 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.0 percent. As of June 30, 2015, the principal balance outstanding was $19,195,000, and unamortized premium on issuance and deferred amount on refunding were $2,701,912 and $416,278, respectively.

The general obligation bonds mature through 2047 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2016	$ 6,385,000	$ -	$ 2,833,763	$ 9,218,763
2017	7,200,000	-	2,648,125	9,848,125
2018	8,115,000	-	2,423,275	10,538,275
2019	8,178,549	41,451	2,191,750	10,411,750
2020	8,318,777	911,223	2,019,550	11,249,550
2021-2025	64,376,150	14,753,850	16,250,518	95,380,518
2026-2030	59,394,412	23,420,588	10,122,275	92,937,275
2031-2035	44,413,220	76,356,780	7,051,275	127,821,275
2036-2040	36,629,302	124,958,073	7,051,275	168,638,650
2041-2045	27,693,251	168,209,889	3,525,638	199,428,778
2046-2047	8,476,308	68,358,575	-	76,834,883
Total	$ 279,179,969	$ 477,010,429	$ 56,117,444	$ 812,307,842

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment
Balance, July 1, 2014	$ 829,239
Additions	178,879
Payments	(422,485)
Balance, June 30, 2015	$ 585,633

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 435,871
2017	21,250
2018	21,250
2019	21,248
2020	20,816
Thereafter	65,198
Total	585,633
Less: Amount Representing Interest	(11,169)
Present Value of Minimum Lease Payments	$ 574,464

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $4,129,899.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $7,484,681, and contributions made by the District during the year were $2,313,843. Interest on the net OPEB obligation and adjustments to the annual required contribution were $1,486,584 and $(1,887,477), respectively, which resulted in an increase to the net OPEB obligation of $4,770,225. As of June 30, 2015, the net OPEB obligation was $34,501,904. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC) during the 2014-2015 fiscal year to obtain a maximum loan of $3,000,000. The proceeds from the loan was used for the District's solar shade structure project and the agreement stipulated that the CEC would reimburse the District up to the maximum agreed-upon loan amount. The loan was offered with a zero percent interest rate and the District will commence repayment beginning the 2016-2017 fiscal year. The District will be making a total of 14 semi-annual installment payments in the amount of $214,286 until the obligation is fully paid. The District has made 2 separate draw-down requests to the CEC. Proceeds from the first draw-down request in the amount of $1,883,599 were received during the 2014-2015 fiscal year. Proceeds from the second draw-down request in the amount of $1,116,401 will be received during the 2015-2016 fiscal year. As of June 30, 2015, the District had an outstanding CEC loan balance of $1,883,599

Estimated Insurance Claims - Workers' Compensation

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $10,407,148 were discounted at a rate of 0.6 percent and were accepted as estimated by the District's administrator.

NOTE 9 - NON-OBLIGATORY DEBT

These bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit, nor taxing power of the School 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 School District has no duty to pay the delinquency out of any available funds of the School District. The School District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Bonds currently active include the Community Facilities District No. 90-1, Special Tax Bonds, Series 2012.

During the current year, a total of $147 in dividends and interests were earned from investments held with a trustee. Additionally, a total of $1,304,510 in special tax assessment revenues was received in connection with paying the annual debt service obligation and other administrative costs. As of June 30, 2015, the Community Facilities District No. 90-1, Special Tax Bonds, Series 2012 had an outstanding balance of $7,810,000.

The Special Tax Bonds mature through 2021 as follows:

Fiscal Year	Principal	Current Interest	Total
2016	$ 995,000	$ 275,475	$ 1,270,475
2017	1,030,000	239,950	1,269,950
2018	1,070,000	197,950	1,267,950
2019	1,110,000	154,350	1,264,350
2020	1,160,000	108,950	1,268,950
2021	2,445,000	92,475	2,537,475
Total	$ 7,810,000	$ 1,069,150	$ 8,879,150

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 150,000	$ -	$ -	$ 150,000
Stores inventories	157,666	-	151,246	308,912
Prepaid expenditures	27,927	-	-	27,927
Total Nonspendable	335,593	-	151,246	486,839
Restricted				
Legally restricted programs	3,517,858	-	205,165	3,723,023
Capital projects	-	-	15,838,930	15,838,930
Debt services	-	-	8,543,557	8,543,557
Total Restricted	3,517,858	-	24,587,652	28,105,510
Assigned				
Adult education	-	-	25,188	25,188
Retiree benefits	15,860,619	-	-	15,860,619
Capital projects	-	54,816,799	-	54,816,799
Stabilization	9,363,834			9,363,834
Other	528,851	-	-	528,851
Total Assigned	25,753,304	54,816,799	25,188	80,595,291
Unassigned	30,225,702	-	-	30,225,702
Total	$ 59,832,457	$ 54,816,799	$ 24,764,086	$ 139,413,342

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2016	$ 228,612
2017	186,682
2018	167,500
2019	172,230
2020	177,397
2021-2024	764,428
Total	$ 1,696,849

During the 2014-2015 fiscal year, a total of $224,021 in lease revenues were received by the District.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses in accordance with bargaining unit agreements. Participants in the Plan consist of 145 retirees and their beneficiaries currently receiving benefits, 26 terminated Plan members entitled to but not yet receiving benefits, and 1,911 active employees eligible for these benefits in the future.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Newport-Mesa Federation of Teachers (NMFT) 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 as approved by the governing board. For fiscal year 2014-2015, the District contributed $2,313,843 to the plan, of which $1,697,428 was used for current premiums, and $616,415 was a contribution for the implicit rate subsidy portion of the obligation. Plan members receiving benefits contributed $2,935,525.

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 30 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	$ 7,484,961
Interest on net OPEB obligation	1,486,584
Adjustment to annual required contribution	(1,887,477)
Annual OPEB cost (expense)	7,084,068
Contributions made	(2,313,843)
Increase in net OPEB obligation	4,770,225
Net OPEB obligation, beginning of year	29,731,679
Net OPEB obligation, end of year	$ 34,501,904

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 6,241,824	$ 3,155,213	50.55%	$ 26,255,309
2014	6,253,891	2,777,521	44.41%	29,731,679
2015	7,084,068	2,313,843	32.66%	34,501,904

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	$ -	$ 57,617,539	$ 57,617,539	0%	$ 157,207,146	37%

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 unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The 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 22 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

NOTE 13 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Southern Orange County Property/Liability Joint Powers Authority (SOCPLJPA) public entity risk pool for the property and liability coverage. Refer to Note 16 for additional information regarding the JPAs. The Workers' Compensation Program, for which the District retains risk of loss, is administered by the Internal Service Fund. Excess workers' compensation coverage is obtained through the purchase of commercial insurance.

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

Claims Liabilities

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

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Workers' Compensation
Liability Balance, June 30, 2013	$ 10,121,197
Claims and changes in estimates	2,333,733
Claims payments	(2,047,782)
Liability Balance, June 30, 2014	10,407,148
Claims and changes in estimates	2,442,195
Claims payments	(2,442,195)
Liability Balance, June 30, 2015	$ 10,407,148
Assets available to pay claims at June 30, 2015	$ 10,593,784

NOTE 14 - 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	$ 136,898,547	$ 10,219,067	$ 33,711,007	$ 11,864,618
CalPERS	44,688,601	5,326,466	18,274,396	3,964,242
Total	$ 181,587,148	$ 15,545,533	$ 51,985,403	$ 15,828,860

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:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	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 $10,219,067.

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	$	136,898,547
State's proportionate share of the net pension liability associated with the District		82,655,253
Total	$	219,553,800

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 0.2343 percent.

For the year ended June 30, 2015, the District recognized pension expense of $11,864,618. In addition, the District recognized revenue and pension expense of $7,136,681 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	$ 10,219,067	$ -
Difference between projected and actual earnings on pension plan investments	-	33,711,007
Total	$ 10,219,067	$ 33,711,007

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	$ 8,427,752
2017	8,427,752
2018	8,427,752
2019	8,427,751
Total	$ 33,711,007

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 lognormally 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%)	$ 213,389,031
Current discount rate (7.60%)	136,898,547
1% increase (8.60%)	73,119,384

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 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 provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 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 be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $5,326,466.

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 $44,688,601. 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 0.3936 percent.

For the year ended June 30, 2015, the District recognized pension expense of $3,964,242. 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	$ 5,326,466	$ -
Net change in proportionate share of net pension liability		2,918,893
Difference between projected and actual earnings on plan investments		15,355,503
Total	$ 5,326,466	$ 18,274,396

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 inflows 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	$ 972,965
2017	972,964
2018	972,964
Total	$ 2,918,893

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	$ 3,838,876
2017	3,838,876
2018	3,838,876
2019	3,838,875
Total	$ 15,355,503

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	Liability
1% decrease (6.50%)	$ 78,394,008
Current discount rate (7.50%)	44,688,601
1% increase (8.50%)	16,524,336

Alternative Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement System (PARS) as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.5 percent of an employee's gross earnings. An employee is required to contribute 6.0 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to $72,064, which represents 1.5 percent of its current year covered payroll.

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 $5,893,960 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - 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.

Equipment Lease/Purchase Agreement

During the 2010-2011 fiscal year, the District entered into a similar Equipment Lease/Purchase Agreement (Agreement) with Banc of America Leasing & Capital, LLC (Lessor). Under the Agreement, the District is able to purchase equipment and then submit to the Lessor, a request for reimbursement. The Lessor will then provide the funds specified in the request and lease the equipment back to the District. The Lessor will provide the rental payment schedule identifying both principal and interest components. Under this Agreement, the District is authorized to acquire equipment up to a maximum of $3,000,000. As of June 30, 2015, the District submitted requests for reimbursement and received a total of $1,877,868. Total payment of $1,474,416 has been made. The balance of $403,451 is included in the District's long-term obligations as a capital lease.

Construction Commitments

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

	Remaining Construction Commitment	Estimated Completion Date
Measure F Projects		
CDM Performing Arts	$ 215,267	9/30/2015
CDM Enclaves Parking	111,447	9/30/2015
Costa Mesa Clock Tower	128,345	9/10/2015
Costa Mesa Music	35,577	9/30/2015
Costa Mesa Parking Lots	288,142	10/31/2015
Costa Mesa Art/Ceramics	189,654	10/31/2015
NHHS Stadium/Sports Facilities	9,145,907	10/31/2015
CDM Attendance Office	20,850	8/31/2015
CDM City Approach	139,979	8/31/2015
IT Remodel	6,411	8/31/2015
Rea Parking Lot	400,815	9/1/2015
Victoria Fencing	254,767	9/30/2015
Tewinkle Admin Remodel	253,674	9/30/2015
Adams Fencing and Office	532,858	10/31/2015
HVAC - California, Tewinkle, Killybrooke	5,531,121	12/31/2015
Solar Projects - District-Wide	9,392,374	12/31/2015
Mesa Verde Modernization	7,326,470	8/31/2016
Costa Mesa Sports Facilities	8,698,874	8/31/2016
	$ 42,672,532	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES, AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Southern Orange County Property/Liability Joint Powers Authority (SOCPLJPA) public entity risk pool, the Bonita Canyon Public Facilities Financing Authority (BCPFFA), and Coastline Regional Occupation Program (CROP) Joint Power Authorities (JPAs). The District pays an annual premium to SOCPLJPA for its property liability coverage. Payments for funds received from the State on behalf of CROP are passed through to CROP. The relationships between the District, the pool, and the JPAs 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 $1,154,877 and $1,598,274 to SOCPLJPA and CROP, respectively, for services received.

NOTE 17 - 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	$ 157,525,456
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(232,361,350)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	13,336,508
Net Position - Beginning as Restated	$ (61,499,386)

REQUIRED SUPPLEMENTARY INFORMATION

NEWPORT-MESA UNIFIED 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	$ 214,058,728	$ 217,831,374	$ 216,985,641	$ (845,733)
Federal sources	11,484,203	11,786,050	10,247,699	(1,538,351)
Other State sources	20,802,791	19,021,955	25,572,991	6,551,036
Other local sources	7,499,864	9,162,076	11,535,679	2,373,603
Total Revenues [1]	253,845,586	257,801,455	264,342,010	6,540,555
EXPENDITURES				
Current				
Certificated salaries	114,248,332	117,464,596	112,294,332	5,170,264
Classified salaries	47,170,970	44,124,968	46,533,026	(2,408,058)
Employee benefits	51,559,395	51,968,006	57,038,407	(5,070,401)
Books and supplies	13,853,325	12,636,622	10,784,435	1,852,187
Services and operating expenditures	20,025,983	22,977,861	19,720,607	3,257,254
Capital outlay	1,387,961	1,732,607	1,539,329	193,278
Other outgo	1,932,174	2,576,210	2,380,017	196,193
Debt service - principal	414,621	414,621	396,869	17,752
Debt service - interest	25,616	25,616	25,616	-
Total Expenditures [1]	250,618,377	253,921,107	250,712,638	3,208,469
Excess (Deficiency) of Revenues Over Expenditures	3,227,209	3,880,348	13,629,372	9,749,024
Other Financing Sources (Uses)				
Transfers in	-	13,489,802	67,812	(13,421,990)
Other sources - capital leases	-	-	178,879	178,879
Transfers out	(11,528,281)	(25,218,593)	(18,761,558)	6,457,035
Net Financing Sources (Uses)	(11,528,281)	(11,728,791)	(18,514,867)	(6,786,076)
NET CHANGE IN FUND BALANCES	(8,301,072)	(7,848,443)	(4,885,495)	2,962,948
Fund Balances - Beginning	64,717,952	64,717,952	64,717,952	-
Fund Balances - Ending	$ 56,416,880	$ 56,869,509	$ 59,832,457	$ 2,962,948

[1] On behalf payments of $5,893,960 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 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits 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.

NEWPORT-MESA UNIFIED 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)
July 1, 2010	$ -	$ 47,340,056	$ 47,340,056	0%	$ 143,882,589	33%
July 1, 2012	-	50,476,920	50,476,920	0%	147,241,703	34%
July 1, 2014	-	57,617,539	57,617,539	0%	157,207,146	37%

NEWPORT-MESA UNIFIED 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)	0.2343%
District's proportionate share of the net pension liability (asset)	$ 136,898,547
State's proportionate share of the net pension liability (asset) associated with the District	82,665,253
Total	$ 219,563,800
District's covered - employee payroll	$ 115,079,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	118.96%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.3936%
District's proportionate share of the net pension liability (asset)	$ 44,688,601
District's covered - employee payroll	$ 45,254,596
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	98.75%
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.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	2015
CalSTRS	
Contractually required contribution	$ 10,219,067
Contributions in relation to the contractually required contribution	10,219,067
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 115,079,583
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 5,326,466
Contributions in relation to the contractually required contribution	5,326,466
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 45,254,596
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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Smaller Learning Communities (OVAE) Grant	84.215L	[1]	$ 11,252
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I Grants to Local Educational Agencies:			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	2,650,869
Title I, Part A - Program Improvement LEA Corrective Action Minor Performance Problems	84.010	14957	445,266
Subtotal - Title I Grants to Local Educational Agencies			3,096,135
Title I, Migrant Education Summer Program	84.011	10005	2,808
Title I, Part G - Advanced Placement Test Fee Reimbursement Program	84.330	14831	38,179
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	646,631
Title III Limited English Proficient Student Program	84.365	14346	411,052
Carl D. Perkins Vocational Education Act of 1998:			
Vocational and Applied Tech Secondary II C, Section 131	84.048	14894	168,179
Adult Education and Family Literacy Act			
Adult Education - Basic Grants to States			
Adult Basic Education and ESL	84.002A	14508	181,320
Adult Basic Education Secondary Education	84.002	13978	12,048
Subtotal - Adult Education - Basic Grants to States			193,368
Individuals with Disabilities Education Act:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,564,986
Local Assistance, Part B, Private School ISPs	84.027	10115	214,284
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	191,909
Preschool Grants, Part B, Section 619	84.173	13430	60,062
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,127
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	242,483
Subtotal - Special Education (IDEA) Cluster			4,274,851
Early Intervention Grants, Part C	84.181	23761	53,202
Passed through Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	316,958
Total - U.S. Department of Education			9,212,615

[1] Direct funded, no PCA number.

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch	10.555	13396	$ 4,121,401
Basic Breakfast	10.553	13390	26,659
Especially Needy Breakfast	10.553	13390	1,351,752
Meal Supplements	10.556	13392	173,549
Commodities	10.555	N/A	511,441
Subtotal - Child Nutrition Cluster			6,184,802
Fresh Fruit and Vegetable Program	10.582	14968	121,953
Passed through Orange County Department of Education (OCDE):			
California Nutrition Network for Healthy, Active Families	10.000	N/A	81,271
Total - U.S. Department of Agriculture			6,388,026
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	737,707
Passed through OCDE:			
Medi-Cal Administrative Activities	93.778	10060	200,561
Subtotal - Medi-Cal Assistance Program			938,268
Total U.S. Department of Health and Human Services			938,268
Total Federal Programs			$ 16,538,909

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Newport-Mesa Unified School District was established in 1966 and covers both the Newport and Costa Mesa areas of Orange County. The District operates 22 elementary schools, two middle schools, two 7-12 grade schools, two comprehensive high schools, one early college high school, two alternative education schools including both continuation and independent study, and one adult education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Martha Fluor	President	2016
Ms. Judy Franco	Vice President	2018
Mr. Walt Davenport	Clerk	2018
Ms. Dana Black	Member	2016
Ms. Charlene Metoyer	Member	2018
Ms. Karen Yelsey	Member	2018
Ms. Vicki Snell	Member	2016

ADMINISTRATION

Dr. Frederick Navarro	Superintendent
Mr. Paul H. Reed	Deputy Superintendent and Chief Business Official
Ms. Susan Astarita	Assistant Superintendent, Elementary Education
Ms. Ann Huntington	Assistant Superintendent, Student Support Services
Mr. Jeff Trader	Administrative Director of Fiscal Services

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report 3DE8296A	Annual Report 4C717173
Regular ADA		
Transitional kindergarten through third	6,291.63	6,284.06
Fourth through sixth	4,762.14	4,758.90
Seventh and eighth	3,163.57	3,155.77
Ninth through twelfth	6,658.84	6,610.68
Total Regular ADA	20,876.18	20,809.41
Extended Year Special Education		
Transitional kindergarten through third	14.80	14.80
Fourth through sixth	5.60	5.60
Seventh and eighth	3.05	3.05
Ninth through twelfth	8.28	8.28
Total Extended Year Special Education	31.73	31.73
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.95	1.70
Fourth through sixth	12.53	3.24
Seventh and eighth	3.98	2.33
Ninth through twelfth	14.02	7.67
Total Special Education, Nonpublic, Nonsectarian Schools	34.48	14.94
Extended Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.17
Fourth through sixth	0.85	0.85
Seventh and eighth	1.91	1.91
Ninth through twelfth	2.74	2.74
Total Extended Special Education, Nonpublic, Nonsectarian Schools	5.67	5.67
Total ADA	20,948.06	20,861.75

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	43,200	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			51,455	180	N/A	Complied
Grade 2			51,455	180	N/A	Complied
Grade 3			51,455	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,930	180	N/A	Complied
Grade 5			54,930	180	N/A	Complied
Grade 6			54,930	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			61,155	180	N/A	Complied
Grade 8			61,155	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,341	180	N/A	Complied
Grade 10			65,341	180	N/A	Complied
Grade 11			65,341	180	N/A	Complied
Grade 12			65,341	180	N/A	Complied

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND [4]				
Revenues	$ 277,436,753	$ 264,235,230	$ 253,851,514	$ 260,852,102
Other sources and transfers in	-	13,557,690	22,179	-
Total Revenues and Other Sources	277,436,753	277,792,920	253,873,693	260,852,102
Expenditures	267,281,884	250,533,759	235,034,471	229,078,220
Other uses and transfers out	18,216,947	25,045,102	18,981,765	26,825,519
Total Expenditures and Other Uses	285,498,831	275,578,861	254,016,236	255,903,739
INCREASE (DECREASE) IN FUND BALANCE	$ (8,062,078)	$ 2,214,059	$ (142,543)	$ 4,948,363
ENDING FUND BALANCE	$ 26,545,926	$ 34,608,004	$ 32,393,945	$ 32,536,488
AVAILABLE RESERVES [2]	$ 24,832,763	$ 30,225,702	$ 9,500,000	$ 8,126,701
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	8.7%	11.2%	3.8%	3.2%
LONG-TERM OBLIGATIONS	N/A	$ 339,606,861	$ 328,493,874	$ 320,411,658
AVERAGE DAILY ATTENDANCE AT P-2	21,183	20,948	21,071	20,951

The General Fund balance has increased by $2,071,516 over the past two years. The fiscal year 2015-2016 budget projects a decrease of $8,062,078 (23.3 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 two of the past three years but anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by $19,195,203 over the past two years.

Average daily attendance has decreased by three over the past two years. However, growth of 235 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 unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $5,893,960, $5,614,232, and $5,244,998 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 Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund (11)	Child Development Fund (12)	Cafeteria Fund (13)	Deferred Maintenance Fund (14)
ASSETS				
Deposits and investments	$ 64,930	$ 210,716	$ 1,138,136	$ 250,797
Receivables	123,866	623,327	453,811	89
Due from other funds	117,368	-	58,166	-
Stores inventories	-	-	151,246	-
Total Assets	$ 306,164	$ 834,043	$ 1,801,359	$ 250,886
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 78,998	$ 250,752	$ 709,207	$ 183,090
Due to other funds	201,978	378,126	836,493	67,796
Unearned revenue	-	-	104,413	-
Total Liabilities	280,976	628,878	1,650,113	250,886
Fund Balances:				
Nonspendable	-	-	151,246	-
Restricted	-	205,165	-	-
Assigned	25,188	-	-	-
Total Fund Balances	25,188	205,165	151,246	-
Total Liabilities and Fund Balances	$ 306,164	$ 834,043	$ 1,801,359	$ 250,886

See accompanying note to supplementary information.

Measure A, F Building Fund (21)	Capital Facilities Fund (25)	Bond Interest and Redemption Fund (51)	Total Non-Major Governmental Funds
$ 10,727,687	$ 5,306,225	$ 8,543,557	$ 26,242,048
1,830	72,441	-	1,275,364
-	-	-	175,534
-	-	-	151,246
$ 10,729,517	$ 5,378,666	$ 8,543,557	$ 27,844,192
$ 266,212	$ 3,041	$ -	$ 1,491,300
-	-	-	1,484,393
-	-	-	104,413
266,212	3,041	-	3,080,106
-	-	-	151,246
10,463,305	5,375,625	8,543,557	24,587,652
-	-	-	25,188
10,463,305	5,375,625	8,543,557	24,764,086
$ 10,729,517	$ 5,378,666	$ 8,543,557	$ 27,844,192

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund (11)	Child Development Fund (12)	Cafeteria Fund (13)	Deferred Maintenance Fund (14)
REVENUES				
Federal sources	$ 193,368	$ -	$ 6,184,802	$ -
Other State sources	-	2,271,366	480,195	-
Other local sources	15,328	103,289	1,816,077	1,224
Total Revenues	208,696	2,374,655	8,481,074	1,224
EXPENDITURES				
Current				
Instruction	395,264	1,889,809	-	-
Instruction-related activities:				
Supervision of instruction	18,383	129,640	-	-
School site administration	119,072	109,902	-	-
Pupil services:				
Food services	-	-	8,971,136	-
All other pupil services	-	1,138	-	-
Administration:				
All other administration	-	123,321	480,166	-
Plant services	9,772	17,962	-	1,143,545
Facility acquisition and construction	-	-	-	20,926
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	542,491	2,271,772	9,451,302	1,164,471
Excess (Deficiency) of Revenues Over Expenditures	(333,795)	102,883	(970,228)	(1,163,247)
Other Financing Sources				
Transfers in	274,528	-	904,271	750,000
Transfers out	-	-	-	(67,796)
Net Financing Sources (Uses)	274,528	-	904,271	682,204
NET CHANGE IN FUND BALANCES	(59,267)	102,883	(65,957)	(481,043)
Fund Balances - Beginning	84,455	102,282	217,203	481,043
Fund Balances - Ending	$ 25,188	$ 205,165	$ 151,246	$ -

See accompanying note to supplementary information.

Measure A, F Building Fund (21)	Capital Facilities Fund (25)	County School Facilities Fund (35)	Bond Interest and Redemption Fund (51)	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 6,378,170
-	-	-	34,158	2,785,719
33,542	2,787,299	11	10,334,923	15,091,693
33,542	2,787,299	11	10,369,081	24,255,582
-	-	-	-	2,285,073
-	-	-	-	148,023
-	-	-	-	228,974
-	-	-	-	8,971,136
-	-	-	-	1,138
-	10,000	-	-	613,487
-	221,421	-	-	1,392,700
16,955,349	232,082	-	-	17,208,357
-	-	-	5,610,000	5,610,000
-	2,850	-	4,343,288	4,346,138
16,955,349	466,353	-	9,953,288	40,805,026
(16,921,807)	2,320,946	11	415,793	(16,549,444)
-	-	-	-	1,928,799
-	-	(16)	-	(67,812)
-	-	(16)	-	1,860,987
(16,921,807)	2,320,946	(5)	415,793	(14,688,457)
27,385,112	3,054,679	5	8,127,764	39,452,543
$ 10,463,305	$ 5,375,625	$ -	$ 8,543,557	$ 24,764,086

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES[1]						
Federal revenue	$ 10,248	3.9	$ 8,492	3.4	$ 12,612	4.9
State and local revenue included in Local Control Funding Formula	216,985	82.1	206,139	81.2	205,912	78.9
Other State revenue	25,574	9.7	29,256	11.5	31,593	12.1
Other local revenue	11,429	4.3	9,964	3.9	10,735	4.1
Total Revenues	264,236	100.0	253,851	100.0	260,852	100.0
EXPENDITURES[1]						
Salaries and Benefits						
Certificated salaries	112,294	42.5	104,907	41.3	103,854	39.8
Classified salaries	46,533	17.6	42,673	16.8	42,639	16.4
Employee benefits	57,039	21.6	54,827	21.6	56,473	21.6
Total Salaries and Benefits	215,866	81.7	202,407	79.7	202,966	77.8
Books and supplies	10,784	4.1	9,240	3.6	7,002	2.7
Contracts and operating expenses	19,721	7.5	19,313	7.6	15,603	6.0
Capital outlay	1,539	0.6	1,434	0.6	736	0.3
Other outgo	2,803	1.1	2,640	1.0	2,771	1.1
Total Expenditures	250,713	95.0	235,034	92.5	229,078	87.9
EXCESS OF REVENUES OVER EXPENDITURES	13,523	5.0	18,817	7.5	31,774	12.1
OTHER FINANCING SOURCES (USES)						
Operating transfers in and other sources	13,737	5.2	22	0.0	-	0.0
Operating transfers out and other uses	(25,045)	(9.5)	(18,982)	(7.5)	(26,826)	(10.3)
Total Other Financing Sources (Uses)	(11,308)	(4.3)	(18,960)	(7.5)	(26,826)	(10.3)
INCREASE (DECREASE) IN FUND BALANCES	2,215	0.7	(143)	0.0	4,948	1.8
FUND BALANCES, BEGINNING	32,393		32,536		27,588	
FUND BALANCES, ENDING	$ 34,608		$ 32,393		$ 32,536	
ENDING FUND BALANCES TO TOTAL REVENUES		13.1		12.8		12.5

[1] General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

(Dollar amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	$ 6,185	72.9	$ 6,369	73.3	$ 6,366	72.8
State meal program	480	5.7	460	5.3	495	5.7
Food sales	1,816	21.4	1,848	21.3	1,883	21.5
Other	-	0.0	7	0.1	4	0.0
Total Revenues	8,481	100.0	8,684	100.0	8,748	100.0
EXPENDITURES						
Salaries and employee benefits	4,918	58.0	4,614	53.1	4,803	54.9
Food	3,854	45.4	3,905	45.0	3,929	44.9
Supplies	82	1.0	246	2.8	65	0.7
Other	597	7.0	585	6.7	457	5.2
Total Expenditures	9,451	111.4	9,350	107.6	9,254	105.7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(970)	(11.4)	(666)	(7.6)	(506)	(5.7)
OTHER FINANCING SOURCES						
Operating transfers in and other sources	904		500		557	
INCREASE (DECREASE) IN FUND BALANCES	(66)		(166)		51	
FUND BALANCES, BEGINNING	217		383		332	
FUND BALANCES, ENDING	$ 151		$ 217		$ 383	
ENDING FUND BALANCES TO TOTAL REVENUES		1.8		2.5		4.4

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	427,068	24.5	388,037	22.1	395,560	21.8
Reduced price	172,792	9.9	148,183	8.4	159,189	8.8
Free	1,146,415	65.6	1,224,511	69.5	1,258,671	69.4
Total Lunches	1,746,275	100.0	1,760,731	100.0	1,813,420	100.0
BREAKFAST						
Paid	95,624	11.8	91,756	10.3	86,187	9.5
Reduced price	71,212	8.8	57,515	6.5	59,894	6.6
Free	642,060	79.4	738,058	83.2	763,072	83.9
Total Breakfast	808,896	100.0	887,329	100.0	909,153	100.0

See accompanying note to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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 the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that were recorded as revenue in the current year, but were unspent at year end. These unspent balances are reported as legally restricted fund balances.

Description	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 16,625,869
Medi-Cal Billing Option	93.778	(86,960)
Total Schedule of Expenditures of Federal Awards		$ 16,538,909

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.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 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 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the Cafeteria Fund for the past three years.

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
Newport-Mesa Unified School District
Costa Mesa, 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 Newport-Mesa Unified 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 Newport-Mesa Unified School District's basic financial statements, and have issued our report thereon dated November 30, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newport-Mesa Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newport-Mesa Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newport-Mesa Unified 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

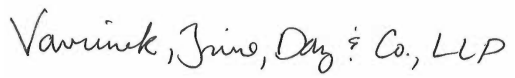
Compliance and Other Matters

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

We noted certain matters that we reported to management of Newport-Mesa Unified School District in a separate letter dated November 30, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Rancho Cucamonga, California
November 30, 2015

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
Newport-Mesa Unified School District
Costa Mesa, California

Report on Compliance for Each Major Federal Program

We have audited Newport-Mesa Unified School District's (the District) 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 Newport-Mesa Unified School District's major Federal programs for the year ended June 30, 2015. Newport-Mesa Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 Newport-Mesa Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Newport-Mesa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Newport-Mesa Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Newport-Mesa Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Newport-Mesa Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 Newport-Mesa Unified School District's internal control over compliance.

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

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

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



Rancho Cucamonga, California
November 30, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Newport-Mesa Unified School District
Costa Mesa, California

Report on State Compliance

We have audited Newport-Mesa Unified School District's (the District) 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 Newport-Mesa Unified 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 Newport-Mesa Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 Newport-Mesa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Newport-Mesa Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Newport-Mesa Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Newport-Mesa Unified 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	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
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
Charter Schools:	
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

We did not perform testing for Independent Study because the ADA was below the required threshold 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 did not offer an Early Retirement Incentive; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

The District does not offer 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.



Rancho Cucamonga, California
November 30, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWPORT-MESA UNIFIED 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?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.556	Child Nutrition Cluster
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 496,167
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

None reported.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

None reported.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's schedule of findings and questioned costs.

Governing Board
Newport-Mesa Unified School District
Costa Mesa, California

In planning and performing our audit of the financial statements of Newport-Mesa Unified 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 November 30, 2015, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY

TeWinkle Middle

Observation

Based on the sample disbursements reviewed, we noted that not all disbursements were made subsequent to the documentation and/or confirmation of receipt of goods.

Recommendation

ASB disbursements should only be made following the availability of receiving documentation which clearly indicates that the ASB has received the goods that have been ordered.

Costa Mesa High School

Observations

The following deficiencies were noted during our examination of the ASB's procedures and records:

1) In reviewing the bank reconciliation for June, two deposits in transit totaling over $4,800 were dated April 2 and April 16, 2015. Since deposits generally clear the bank within 2 days of deposit to the bank, there is an inherent risk that the noted deposits will not clear. It is unknown at this time why the deposits have not yet cleared and if the associated cash is accounted for.

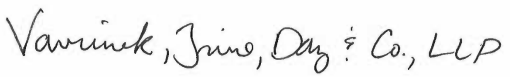
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2) ASB disbursement authorizations reviewed did not have clear documentation of what vendors/parties were being paid. As a result, we were unable to determine if the vendors were, in fact, approved by parties authorizing the ASB disbursement.
3) Supporting documents reviewed for a sample of ASB disbursement indicated that the goods ordered with ASB funds were delivered directly to the requesting party's home.
4) Fundraising activities reviewed appeared to lack sufficient approval. Specifically, we did not observe the students directly being involved with the approval process in the student council minutes.
5) Our review of the ASB's financial statements indicated that the ASB carried a petty cash balance of $300. However, physical verification of the carrying balance indicated that the ASB was carrying a petty cash balance of $500.

Recommendations

1) During the bank reconciliation process, outstanding deposits of more than a week should be followed up on to ensure the deposit record is accurate and that the cash was in fact deposited. If an error is noted, an adjustment should be made in a timely manner. Subsequent review of the bank reconciliation is equally important to allow for appropriate questioning of deposits in transit that are more than one week old. The reviewer should have an accounting background to understand how to review a bank reconciliation.
2) Pre-authorization for transactions and the subsequent authorization for disbursement should clearly indicate what vendor/party is being paid. It is important to document this information to provide full transparency to the parties involved with authorizing ASB disbursements.
3) As a good business practice, goods ordered using ASB funds should be delivered directly to the site.
4) The student council should be directly involved with decision making since it is an integral part of an organized ASB. The ASB should document students making decisions in both standardized forms used by the ASB, as well as student council minutes for all fundraising activities.
5) All ASB assets held should be accurately and completely presented on the ASB's financial statements. Asset categories, including petty cash and change funds, regardless of amount relative to the ASB's entire financial statement, should always be presented accurately.

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



Rancho Cucamonga, California
November 30, 2015