COVINA-VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Covina-Valley Unified School District
Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Covina-Valley 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Covina-Valley 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 18 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 (OPEB) funding progress, District's proportionate share of the net pension liability, and District contribution information on pages 71 through 75, 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 Covina-Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor 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 on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Covina-Valley 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 Covina-Valley Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co, LLP

Rancho Cucamonga, California
December 1, 2015

This section of Covina-Valley 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. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

The Primary unit of the government is the Covina-Valley Unified School District.

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's Daycare Before and After School programs and services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

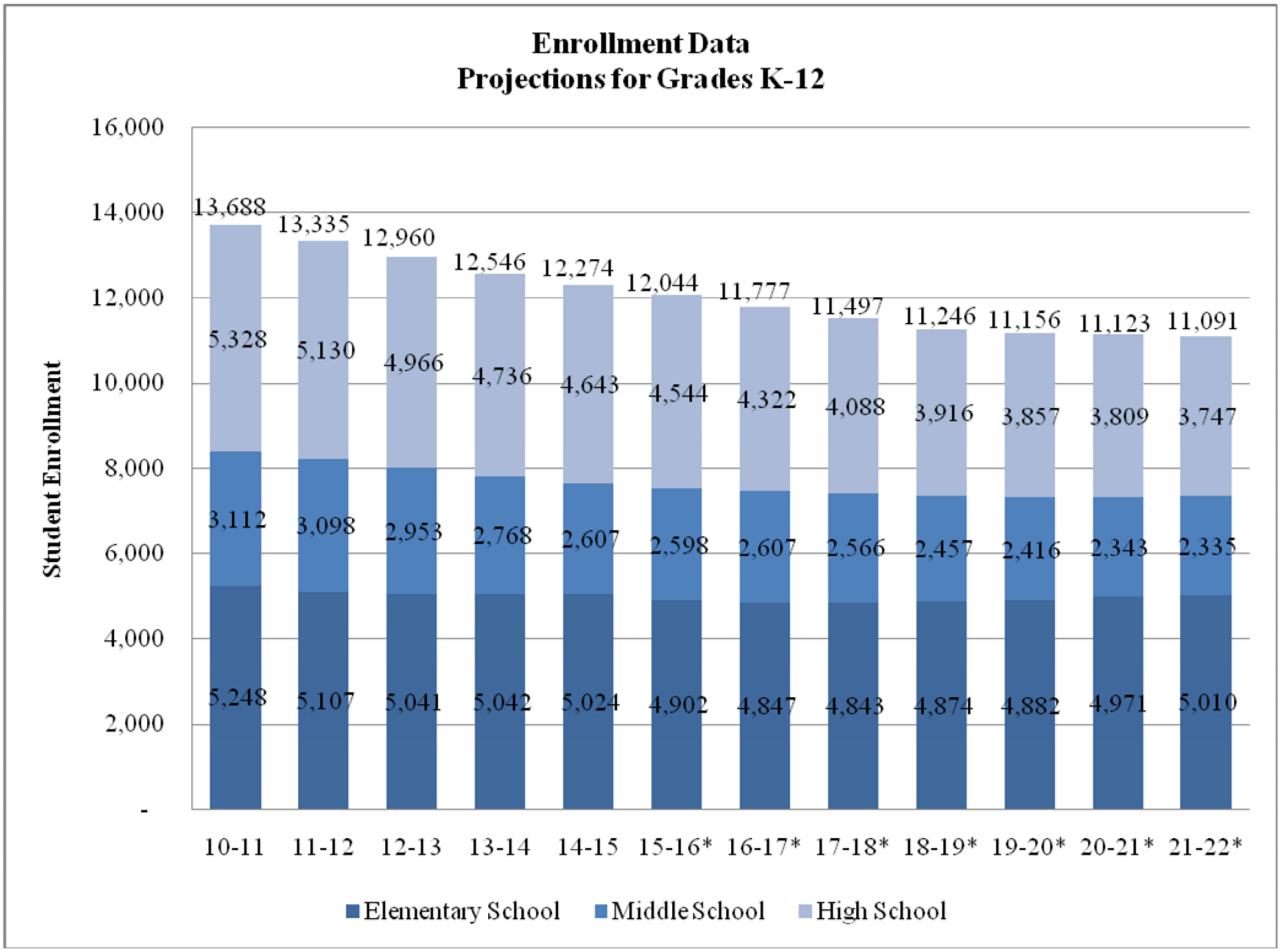
THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, pensions and pass through of special education funding. The District's fiduciary activities are reported in the *Fiduciary Funds - Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The Local Control Funding Formula (LCFF) was adopted in the 2013-2014 State Budget Act under Assembly Bill AB97. In 2014-2015, enrollment decreased by 2.21 percent and funded ADA decreased by 2.45 percent which resulted in a loss of $1.05 million in revenue. Using the 2014-2015 as the base student enrollment, the District projects cumulatively during fiscal years 2015-2016, 2016-2017, and 2017-2018 a potential loss of $8.2 million due to declining enrollment.



The District's limited resources were reevaluated and directed towards maintaining strong educational programs for students served by the District. Further discussions regarding the educational programs of the District are covered later in this report.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(95.2) million for the fiscal year ended June 30, 2015. Of this amount, $(117.8) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014 as restated	2015	2014	2015	2014 as restated
Assets						
Current and other assets	$ 52.7	$ 90.9	$ 0.6	$ 0.3	$ 53.3	$ 91.2
Capital assets	124.6	110.5	-	-	124.6	110.5
Total Assets	**177.3**	**201.4**	**0.6**	**0.3**	**177.9**	**201.7**
Deferred Outflows of Resources	**7.3**	**6.2**	**-**	**-**	**7.3**	**6.2**
Liabilities						
Current liabilities	21.3	32.1	0.1	-	21.4	32.1
Long-term obligations	148.2	154.6	-	-	148.2	154.6
Aggregate net pension liability	86.7	109.8	-	-	86.7	109.8
Total Liabilities	**256.2**	**296.5**	**0.1**	**-**	**256.3**	**296.5**
Deferred Inflows of Resources	**24.0**	**-**	**-**	**-**	**24.0**	**-**
Net Position						
Net investment in capital assets	5.1	6.8	-	-	5.1	6.8
Restricted	17.0	19.6	0.5	0.3	17.5	19.9
Unrestricted	(117.8)	(115.3)	-	-	(117.8)	(115.3)
Total Net Position, as Restated	**$ (95.7)**	**$ (88.9)**	**$ 0.5**	**$ 0.3**	**$ (95.2)**	**$ (88.6)**

The $(117.8) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

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, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities		Business Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	$ 3.6	$ 3.5	$ -	$ -	$ 3.6	$ 3.5
Operating grants and contributions	22.7	25.6	-	-	22.7	25.6
General revenues:						
Federal and State aid not restricted	85.2	79.0	-	-	85.2	79.0
Property taxes	24.0	21.3	-	-	24.0	21.3
Other general revenues	5.7	6.4	3.0	2.9	8.7	9.3
Total Revenues	**141.2**	**135.8**	**3.0**	**2.9**	**144.2**	**138.7**
Expenses						
Instruction-related	100.4	93.8	-	-	100.4	93.8
Pupil services	14.0	13.4	-	-	14.0	13.4
Administration	7.7	9.9	-	-	7.7	9.9
Plant services	13.8	13.7	-	-	13.8	13.7
Other	12.0	16.8	2.9	2.8	14.9	19.6
Total Expenses	**$ 147.9**	**$ 147.6**	**$ 2.9**	**$ 2.8**	**$ 150.8**	**$ 150.4**

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was $147.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $24.0 million because the cost was paid by those who benefited from the programs $(3.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions $(22.7 million). We paid for the remaining "public benefit" portion of our governmental activities with $90.9 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other costs. 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

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction-related	$ 100.4	$ 93.8	$ 84.5	$ 76.3
Pupil services	14.0	13.4	6.9	6.1
Administration	7.7	9.9	6.3	8.8
Plant services	13.8	13.7	13.6	13.4
Other	12.0	16.8	10.4	13.9
Total	**$ 147.9**	**$ 147.6**	**$ 121.7**	**$ 118.5**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $30.2 million, which is a decrease of $26.3 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 19.8	$ 124.6	$ 129.1	$ 15.3
Cafeteria Fund	5.3	6.3	5.7	5.9
Building Fund	25.1	0.1	22.4	2.8
Bond Interest and Redemption Fund	6.3	9.1	9.4	6.0
Child Development Fund	-	1.7	1.7	-
Capital Facilities Fund	-	0.2	-	0.2
Total	**$ 56.5**	**$ 142.0**	**$ 168.3**	**$ 30.2**

The primary reasons for these increases and decreases are:

- As the District's principal operating funding, the General Fund, is comprised of unrestricted as well as restricted dollars. The General Fund 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.

In accordance with GASB Statement No. 54 requirements, the fund balance for the General Fund is inclusive of all financial activity recorded in the Adult Education Fund and the Deferred Maintenance Fund. In addition, the fund balance includes all the financial activity for the East San Gabriel Valley SELPA. The District serves as the Administrative Unit for the SELPA and records all financial activity under a sub fund within the District's General Fund.

In total, the General Fund balance decreased by $4.5 million. A breakdown of the changes is shown on the table below:

Unrestricted General Fund	($2.1 million)
Restricted General Fund	($0.7 million)
SELPA Reserve Fund	($1.2 million)
Deferred Maintenance Fund	($0.5 million)

- The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the Nutrition Services program. The Cafeteria Fund increased by $.6 million.

- The Building Fund is primarily utilized to account bond proceeds and record expenditures in accordance with bond language. The fund balance in the Building Fund is by $2.8 million.

- The Bond Interest and Redemption Fund are used for the repayment of bonds issued by the District. The Bond Interest and Redemption fund decreased by $.3 million primarily due to an increase in tax collection.

- The Fund balances in the Child Development Fund and the Capital Facilities Fund remained fairly stable from the prior year, showing a net increase of approximately $0.2 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (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 71.)

The anticipated ending balance for the General Fund was projected at $15.3 million, based on final budgetary revisions through June 30, 2015. Based on year-end totals, the ending fund balance was $15.3 million, reflecting no change over earlier projections. The decrease in reserves is mainly attributed to under projected LCFF revenues and over projected expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $124.6 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just over $14.1 million, or 12.8 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and construction in progress	$ 25.2	$ 13.8	$ -	$ -	$ 25.2	$ 13.8
Buildings and improvements	98.0	95.0	-	-	98.0	95.0
Equipment	1.4	1.7	-	-	1.4	1.7
Total	**$ 124.6**	**$ 110.5**	**$ -**	**$ -**	**$ 124.6**	**$ 110.5**

This year's additions included capital lease agreements, building improvements, and classroom equipment such as computers. No new debt was issued for these additions.

Several capital projects are planned for the 2015-2016 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $148.2 million in long-term obligations outstanding versus $154.6 million last year, a decrease of 4.1 percent. Those long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds - net (financed with property taxes)	$ 138.3	$ 143.0	$ -	$ -	$ 138.3	$ 143.0
Qualified Zone Academy Bonds	3.3	3.6	-	-	3.3	3.6
Capitalized lease obligations	0.1	0.2	-	-	0.1	0.2
Compensated absences	1.4	1.3	-	-	1.4	1.3
Early retirement incentives	3.5	4.5	-	-	3.5	4.5
Other postemployment benefits	-	0.1	-	-	-	0.1
Claims liability	1.6	1.9	-	-	1.6	1.9
Total	**$ 148.2**	**$ 154.6**	**$ -**	**$ -**	**$ 148.2**	**$ 154.6**

The District's General Obligation Bond rating continues to be "Aa3." 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 net obligation debt of $138.3 million is below statutorily-imposed limit of $196.8 million.

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

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

Accomplishments to support student learning during the 2014-2015 school year included professional development activities for teachers, administrators and classified staff to support the District's priorities to increase student achievement, close the achievement gap, and create a four-year college going culture. The primary goal for C-VUSD is to prepare all students for the 21st century and ensure college and career readiness. The District focused on its Theory of Action in which leadership and collaboration lead to innovation. A 21st Century Advisory Committee and LCAP Advisory Committee were utilized to bring District stakeholders together to refine the District's mission. Also implemented was a District Gold Standard that focused on academic competencies and habits of mind; college readiness course of study; engaging 21st century skills; connectedness; safe learning environment; highly qualified team; and uniform practices and decision-making.

Staff development focused on building expertise in Common Core curriculum development, technology integration, Effective First Instruction, rigor and depth of knowledge. Administrators, teachers-leaders, and staff all received intensive training in essential learning. Implementation of revised deconstruction of standards, pacing, and benchmark development were communicated. K-12 teachers and administrators participated in training focused on the Common Core Standards and Smarter Balanced Assessments. All teachers continued implementation of the Common Core Standards and Smarter Balanced Assessments. Report cards and technology competencies were revised which led to alignment to 21st century skills and college readiness, integration of technology and K-12 rubrics for the 4C's. Thinking Maps and Write From the Beginning training was provided to administrators, and trainer-of-trainer at all schools. Implementation of the career tech academy, career pathways, certification programs, associate degrees and world language assisted to build a four-year college-going culture. Support structures, such as articulation, continue to build greater District-wide coherence. In an effort to increase communication with all stakeholders, LCAP meetings, advisory meetings, surveys and training was provided on a variety of topics to increase staff, parent and student access to grades and other pertinent information from home, thereby increasing communication between home and school. The District updated the District and all site web pages to enhance access to important information.

The District continued to analyze data specific to subgroups and Program Improvement sites. The Local Control Accountability Plan (LCAP) was carefully revised and monitored to ensure that these recommendations were integrated into all District program areas. The District continued to ensure alignment of expenditures and purchases toward achievement of the recommendations through the review of each of the Single Plans for Student Achievement, professional development, and purchase orders. The 2014-2015 budget was built with a focus on the goals of the District, specific actions noted in the LCAP, and major support to Program Improvement schools and subgroups exhibiting gaps.

For 2014-2015, school districts did not receive an Academic Performance Index (API) Score. Therefore, the District's API remained at the 800 target. Over a nine-year period, C-VUSD experienced a 100-point gain in the Academic Performance Indicator (API) scores from 699 in 2003-2004 to 800 in 2013-2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2015-16 fiscal year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at $8,900 per ADA, comprised 1.02 percent COLA, 70 percent Unduplicated and 53.08 percent LCFF Funding Gap. Enrollment projections indicate a decline in student population that directly affects the LCFF Revenue Funding. Projected Second Period Apportionment (P2 ADA) is projected at 11,692, included 50.57 LACOE operated programs ADA. The District will be funded on the prior year P2 ADA of 12,057.85.

- LCFF income is budgeted at $107.6 million, an increase of $11.1 million, or 11.5 percent from the prior year. This included property tax revenues budgeted at $12.1 million and EPA revenues budgeted at $14.8 million.

- Federal Income is budgeted at $5.4 million, a decrease of $1.4 million. The increase is mainly attributed to Title I, II, III carryovers and Special Education.

- State income is budgeted at $20.6 million, an increase of $6.9 million. The increase is mainly attributed to Prop. 39 Clean Energy of $1.0 million and one-time funds for outstanding mandated claims.

- Other Local Revenue is budgeted at $4.7 million, same level as previous year.

- Interest income from reserves held at the Los Angeles County Treasury Office is projected at $200 thousand with an interest rate of 0.7 percent; same level as previous year.

- Unrestricted Lottery Revenue is budgeted at $1.6 million, a decrease of $378 thousand over the prior year due to Adult Education and ROC/P ADA not included in Lottery funding beginning 2015-2016.

- Restricted Lottery Revenue is budgeted at $0.52 million, a decrease of $73 thousand from prior year.

Expenditures are based on the following forecasts:

- Health and Welfare costs are expected to increase by $1.1 million from the prior year.

- The contribution for statutory benefits is equal to 13.20 percent for certificated personnel and 20.517 percent for classified personnel.

- Salary projections incorporate added costs for step, column, and longevity totaling approximately $2.4 million.

- Substitute teacher costs are budgeted at $1.4 million.
- Liability and property damage insurance is budgeted at $0.5 million.
- Utilities and other operating costs are budgeted at $3.5 million.
- The following represent projected certificated personal staffing ratios:

	Staffing Ratio	Enrollment
Grades kindergarten through three	24:1	3,287
Grades four through five	33:1	1,615
Grades sixth through twelve	33:1	7,142

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jennifer Root, the Chief Business Officer at Covina-Valley Unified School District, 519 East Badillo Street, Covina, California, 91723 or e-mail at jroot@cvusd.k12.ca.us.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 44,437,662	$ 425,988	$ 44,863,650
Receivables	8,019,613	143,405	8,163,018
Stores inventories	144,399	37,632	182,031
Net OPEB assets	58,307	-	58,307
Capital Assets			
Land and construction in process	25,220,385	-	25,220,385
Other capital assets	194,042,662	-	194,042,662
Less: Accumulated depreciation	(94,668,046)	-	(94,668,046)
Total Capital Assets	124,595,001	-	124,595,001
Total Assets	177,254,982	607,025	177,862,007
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	7,308,991	-	7,308,991
LIABILITIES			
Accounts payable	19,583,661	150,286	19,733,947
Accrued interest payable	1,528,724	-	1,528,724
Unearned revenue	222,580	-	222,580
Current portion of long-term obligations other than pensions	7,651,418	-	7,651,418
Noncurrent portion of long-term obligations other than pensions	140,575,797	-	140,575,797
Total Long-Term Obligations	148,227,215	-	148,227,215
Aggregate net pension liability	86,716,607	-	86,716,607
Total Liabilities	256,278,787	150,286	256,429,073
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan investments	23,073,217	-	23,073,217
Net change in proportionate share of netpension liability	904,677	-	904,677
Total Deferred Inflows of Resources	23,977,894	-	23,977,894
NET POSITION			
Net investment in capital assets	5,128,612	-	5,128,612
Restricted for:			
Debt service	4,457,516	-	4,457,516
Capital projects	182,312	-	182,312
Educational programs	5,467,288	-	5,467,288
Other activities	5,822,669	-	5,822,669
Other restrictions	1,032,569	456,739	1,489,308
Unrestricted	(117,783,674)	-	(117,783,674)
Total Net Position	$ (95,692,708)	$ 456,739	$ (95,235,969)

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities:			
Instruction	$ 85,407,246	$ 1,760,364	$ 10,978,446
Instruction-related activities:			
Supervision of instruction	4,503,850	268,457	1,541,435
Instructional library, media, and technology	1,509,924	-	1,056,095
School site administration	8,947,912	35,624	241,608
Pupil services:			
Home-to-school transportation	2,663,982	205	483
Food services	5,472,858	677,520	4,823,627
All other pupil services	5,897,158	185,490	1,447,612
Administration:			
Data processing	2,184,423	-	-
All other administration	5,496,625	188,624	1,173,928
Plant services	13,846,441	37,652	232,897
Facility acquisition and construction	2,101,047	-	-
Enterprise services	52,926	-	-
Interest on long-term obligations	5,096,203	-	-
Other outgo	4,785,496	458,725	1,175,093
Total Governmental Activities	147,966,091	3,612,661	22,671,224
Business-Type Activities			
Enterprise services	2,863,891	-	-
Total Business-Type Activities	2,863,891	-	-
Total School District Activities	$ 150,829,982	$ 3,612,661	$ 22,671,224

General revenues and subventions:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes levied for other specific purposes
Federal and State aid not restricted to specific purposes
Interest and investment earnings
Transfers
Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	**Business-Type Activities**	**Total**
$ (72,668,436)	$ -	$ (72,668,436)
(2,693,958)	-	(2,693,958)
(453,829)	-	(453,829)
(8,670,680)	-	(8,670,680)
(2,663,294)	-	(2,663,294)
28,289	-	28,289
(4,264,056)	-	(4,264,056)
(2,184,423)	-	(2,184,423)
(4,134,073)	-	(4,134,073)
(13,575,892)	-	(13,575,892)
(2,101,047)	-	(2,101,047)
(52,926)	-	(52,926)
(5,096,203)	-	(5,096,203)
(3,151,678)	-	(3,151,678)
(121,682,206)	-	(121,682,206)
-	(2,863,891)	(2,863,891)
-	(2,863,891)	(2,863,891)
(121,682,206)	(2,863,891)	(124,546,097)
14,642,588	-	14,642,588
9,069,771	-	9,069,771
256,392	-	256,392
85,183,840	-	85,183,840
514,625	1,996	516,621
(1,552,634)	1,552,634	-
6,733,074	1,492,929	8,226,003
114,847,656	3,047,559	117,895,215
(6,834,550)	183,668	(6,650,882)
(88,858,158)	273,071	(88,585,087)
$ (95,692,708)	$ 456,739	$ (95,235,969)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 22,142,338	$ 5,059,825	$ 5,402,553
Receivables	6,633,264	919,626	46,256
Stores inventories	87,507	56,892	-
Total Assets	$ 28,863,109	$ 6,036,343	$ 5,448,809
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 13,326,524	$ 156,782	$ 2,650,644
Unearned revenue	222,580	-	-
Total Liabilities	13,549,104	156,782	2,650,644
Fund Balances:			
Nonspendable	122,507	56,892	-
Restricted	5,449,677	5,822,669	2,798,165
Assigned	541,740	-	-
Unassigned	9,200,081	-	-
Total Fund Balances	15,314,005	5,879,561	2,798,165
Total Liabilities and Fund Balances	$ 28,863,109	$ 6,036,343	$ 5,448,809

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 5,986,240	$ (25,803)	$ 38,565,153
-	313,260	7,912,406
-	-	144,399
$ 5,986,240	$ 287,457	$ 46,621,958
$ -	$ 87,534	$ 16,221,484
-	-	222,580
-	87,534	16,444,064
-	-	179,399
5,986,240	199,923	20,256,674
-	-	541,740
-	-	9,200,081
5,986,240	199,923	30,177,894
$ 5,986,240	$ 287,457	$ 46,621,958

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 30,177,894**
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	$ 219,263,047	
Accumulated depreciation is	(94,668,046)	
Net Capital Assets		124,595,001
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		7,308,991
Expenditures relating to postemployment benefits were recognized on the modified accrual basis, but contributions made in excess of the annual required contribution (ARC) should be recorded as an asset in the government-wide financial statements.		58,307
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.		(1,528,724)
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.		1,032,569
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of memebrs receiving pension benefits.		(904,677)
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.		(23,073,217)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(86,716,607)
Long-term obligations at year-end consist of:		
General obligation bonds	(111,306,141)	
Unamortized premium	(7,584,930)	
Qualified zone academy bonds	(3,264,693)	
Capital leases	(108,790)	
Compensated absences (vacations)	(1,422,001)	
Early retirement incentives	(3,515,397)	
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:	(19,440,293)	
Total Long-Term Obligations		(146,642,245)
Total Net Position - Governmental Activities		**$ (95,692,708)**

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 96,381,587	$ -	$ -
Federal sources	6,686,542	5,085,936	-
Other State sources	15,407,114	411,336	-
Other local sources	6,192,639	775,031	130,974
Total Revenues	124,667,882	6,272,303	130,974
EXPENDITURES			
Current			
Instruction	76,774,059	-	-
Instruction-related activities:			
Supervision of instruction	4,437,404	-	-
Instructional library, media, and technology	1,489,213	-	-
School site administration	8,708,231	-	-
Pupil services:			
Home-to-school transportation	2,402,903	-	-
Food services	-	5,383,333	-
All other pupil services	5,539,121	-	-
Administration:			
Data processing	2,130,309	-	-
All other administration	5,926,886	271,742	-
Plant services	13,194,951	65,619	-
Facility acquisition and construction	1,618,210	-	22,049,842
Other outgo	4,785,496	-	-
Enterprise services	25,633	-	-
Debt service			
Principal	96,996	2,543	325,606
Interest and other	345,479	-	35,903
Total Expenditures	127,474,891	5,723,237	22,411,351
Excess (Deficiency) of Revenue Over Expenditures	(2,807,009)	549,066	(22,280,377)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(1,652,880)	-	-
Net Financing Sources (Uses)	(1,652,880)	-	-
NET CHANGE IN FUND BALANCES	(4,459,889)	549,066	(22,280,377)
Fund Balance - Beginning	19,773,894	5,330,495	25,078,542
Fund Balance - Ending	$ 15,314,005	$ 5,879,561	$ 2,798,165

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 96,381,587
-	400,910	12,173,388
82,969	1,141,139	17,042,558
9,060,743	229,649	16,389,036
9,143,712	1,771,698	141,986,569
-	1,331,190	78,105,249
-	78,643	4,516,047
-	-	1,489,213
-	57,934	8,766,165
-	-	2,402,903
-	15,902	5,399,235
-	192	5,539,313
-	-	2,130,309
-	111,519	6,310,147
-	106,105	13,366,675
-	-	23,668,052
-	-	4,785,496
-	-	25,633
5,750,000	-	6,175,145
3,686,363	-	4,067,745
9,436,363	1,701,485	166,747,327
(292,651)	70,213	(24,760,758)
-	100,245	100,245
-	-	(1,652,880)
-	100,245	(1,552,635)
(292,651)	170,458	(26,313,393)
6,278,891	29,465	56,491,287
$ 5,986,240	$ 199,923	$ 30,177,894

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds			**$**	**(26,313,393)**
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	$	21,582,862		
Depreciation expense		(7,446,790)		
Net Expense Adjustment				14,136,072
In the Statement of Activities, certain operating expenses, such as 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, early retirement incentives paid were $985,093. Vacation earned was more than the amounts used by $90,420.				894,673
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government wide statements as an expense. The actual amount of the contribution was more that the annual required contribution.				159,158
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.				154,539
Governmental funds report the effect of premiums, discounts, and the deferred charges on a refunding when the debt is issued, whereas the amounts are deferred and amortized in the Statement of Activities.				
Premium on issuance				1,302,961
Repayment of debt obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:				
General obligation bonds				5,750,000
Qualified zone academy bonds				325,606
Capital lease obligations				99,539
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $38,551, and second, $2,369,970 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.			$	(2,331,419)
An internal service fund is used by the District's management to charge the costs of the workers' compensation program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.				(1,012,286)
Change in Net Position of Governmental Activities			**$**	**(6,834,550)**

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Business-Type Enterprise Fund Child Care Fund	Governmental Activities Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 425,988	$ 5,872,509
Receivables	143,405	107,207
Stores inventories	37,632	-
Total Current Assets	607,025	5,979,716
LIABILITIES		
Current Liabilities		
Accounts payable	150,286	3,362,177
Current portion of long-term obligations	-	798,823
Total Current Liabilities	150,286	4,161,000
Noncurrent Liabilities		
Noncurrent portion of long-term obligations	-	786,147
NET POSITION		
Restricted	456,739	1,032,569
Total Net Position	$ 456,739	$ 1,032,569

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Fund	Internal Service Fund
OPERATING REVENUES		
Local and intermediate sources	$ 1,492,931	$ 14,313,598
OPERATING EXPENSES		
Payroll costs	1,405,750	-
Supplies and materials	170,792	-
Facility rental	31,093	-
Other operating cost	1,256,256	15,350,615
Total Operating Expenses	2,863,891	15,350,615
Operating Loss	(1,370,960)	(1,037,017)
NONOPERATING REVENUES		
Interest income	1,993	24,731
Transfers in	1,552,635	-
Total Nonoperating Revenues	1,554,628	24,731
Change in Net Position	183,668	(1,012,286)
Total Net Position - Beginning	273,071	2,044,855
Total Net Position - Ending	$ 456,739	$ 1,032,569

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 1,355,265	$ 129,735
Cash receipts from interfund services provided	-	14,187,732
Cash payments to other suppliers of goods or services	(75,613)	(15,192,950)
Cash payments to employees for services	(1,405,750)	-
Other operating cash payments	(1,287,349)	-
Net Cash Used by Operating Activities	(1,413,447)	(875,483)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	1,552,635	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,993	24,731
Net Increase (Decrease) in Cash and Cash Equivalents	141,181	(850,752)
Cash and Cash Equivalents - Beginning	284,807	6,723,261
Cash and Cash Equivalents - Ending	$ 425,988	$ 5,872,509
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (1,370,960)	$ (1,037,017)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Receivables	(137,666)	3,869
Inventories	(37,632)	-
Accrued liabilities	132,811	413,029
Claims liability	-	(255,364)
NET CASH USED BY OPERATING ACTIVITIES	$ (1,413,447)	$ (875,483)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Student Body Fund		Special Education Pass-Through Fund	
ASSETS				
Deposits and investments	$	589,070	$	62,023
Receivables		-		10,736,538
Stores inventories		29,196		-
Total Assets	$	618,266	$	10,798,561
LIABILITIES				
Accounts payable	$	47,979	$	-
Due to student groups		570,287		-
Due to member districts		-		10,798,561
Total Liabilities	$	618,266	$	10,798,561

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Covina-Valley Unified School District (the District) was unified on December 15, 1959 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, three middle schools, three high schools, an alternative high school, a children's center program and adult education centers.

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 Covina-Valley Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has financial and operational relationships with the Covina-Valley Unified School District Facilities Finance Corporation (Corporation), as represented by the Qualified Zone Academy Bonds, which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data for the District. The financial statements present the Corporation's financial activity within the Building Fund. Qualified zone academy bonds issued are included as long-term obligation in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures and other uses of $74,468, $74,468, $108,517, and $563,713, respectively.

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).

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

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are 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.

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.

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).

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).

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 funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a self-insurance fund that is accounted for as an internal service fund.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The child care enterprise fund of the District accounts for the financial transactions related to the before and after day care operations of the District.

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.
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 for payroll and related expenses paid in advance.

The District is an Administrative Unit of East San Gabriel Valley SELPA. , The Special Education Pass-Through Fund, an agency fund, is used by the District to account for Special Education revenue passed through to the other member districts of the East San Gabriel Valley SELPA.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach. 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 asset 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 net asset use.

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 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.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/infrastructure, 20 years; equipment, 5 to 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 and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long - Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

Current Loans

Current loans consist of amounts outstanding at June 30, 2015, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer.

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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $16,962,354 of restricted net position.

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type 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 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles 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 $102,238,294. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

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

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

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

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

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and 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	$ 44,437,662
Business-type activities	425,988
Fiduciary funds	651,093
Total Deposits and Investments	$ 45,514,743

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

Cash on hand and in banks	$ 661,037
Cash in revolving	35,000
Investments	44,818,706
Total Deposits and Investments	$ 45,514,743

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

Specific Identification

The District maintains an investment of $44,818,706 with the Los Angeles County Investment Pool with a fair value of approximately $44,471,970. This investment has an average weighted maturity of 595 days.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of $285,983 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

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

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund	Fiduciary Funds
Federal Government								
Categorical aid	$ 2,895,034	$ 832,870	$ -	131,114	$ -	$ 3,859,018	$ -	$ 9,450,096
State Government								
Categorical aid	-	70,504	-	178,749	-	249,253	-	1,286,321
Lottery	1,391,648	-	-	-	-	1,391,648	-	-
Special education	1,020,325	-	-	-	-	1,020,325	-	-
Local Government								
Interest	79,097	16,252	46,072	291	10,340	152,052	974	121
Other Local Sources	1,247,160	-	184	3,106	96,867	1,347,317	142,431	-
Total	$ 6,633,264	$ 919,626	$ 46,256	$ 313,260	$ 107,207	$ 8,019,613	$ 143,405	$ 10,736,538

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	$ 2,886,240	$ -	$ -	$ 2,886,240
Construction in progress	10,900,603	21,523,294	10,089,752	22,334,145
Total Capital Assets Not Being Depreciated	13,786,843	21,523,294	10,089,752	25,220,385
Capital Assets Being Depreciated:				
Land improvements	77,958,492	-	-	77,958,492
Buildings and improvements	93,180,065	10,048,726	-	103,228,791
Furniture and equipment	12,754,785	100,594	-	12,855,379
Total Capital Assets Being Depreciated	183,893,342	10,149,320	-	194,042,662
Total Capital Assets	197,680,185	31,672,614	10,089,752	219,263,047
Less Accumulated Depreciation:				
Land improvements	27,079,340	3,796,411	-	30,875,751
Buildings and improvements	49,039,587	3,310,297	-	52,349,884
Furniture and equipment	11,102,329	340,082	-	11,442,411
Total Accumulated Depreciation	87,221,256	7,446,790	-	94,668,046
Governmental Activities Capital Assets, Net	$ 110,458,929	$ 24,225,824	$ 10,089,752	$ 124,595,001

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

Governmental Activities	
Instruction	$ 6,702,110
Home-to-school transportation	223,404
All other pupil services	297,872
Plant services	223,404
Total Depreciation Expenses All Activities	$ 7,446,790

NOTE 5 - INTERFUND TRANSACTIONS

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	$ 100,245
Enterprise Fund	1,552,635
Total	$ 1,652,880

The General Fund transferred $100,245 to the Child Development Non-Major Governmental Fund for the Cal-Safe program.

The General Fund transferred $1,552,635 to the Enterprise Fund to cover program expenditures.

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds
Salaries and benefits	$ 7,231,327	$ 92,264	$ 3,093	$ 78,476
LCFF apportionment	1,418,808	-	-	-
Supplies	768,707	34,180	52,851	1,500
Services	2,653,039	30,338	686,765	7,558
Construction	-	-	1,907,935	-
Due to SELPA	1,069,896	-	-	-
Other vendor payables	184,747	-	-	-
Total	$ 13,326,524	$ 156,782	$ 2,650,644	$ 87,534

	Internal Service Fund	Total Governmental Activities	Enterprise Funds	Fiduciary Funds
Salaries and benefits	$ 2,981,168	$ 10,386,328	$ 97,752	$ -
LCFF apportionment	-	1,418,808	-	-
Supplies	-	857,238	1,537	-
Services	381,009	3,758,709	50,997	-
Construction	-	1,907,935	-	-
Due to SELPA	-	1,069,896	-	-
Other vendor payables	-	184,747	-	47,979
Total	$ 3,362,177	$ 19,583,661	$ 150,286	$ 47,979

NOTE 7 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 191,170
State categorical aid	31,410
Total	$ 222,580

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued $11,910,000 of Tax Revenue Anticipation Notes dated February 25, 2014 through the California School Cash Reserve Program Authority. The notes mature on October 1, 2014, and yield 0.10 percent interest. The notes were sold to supplement cash flow. Repayment requires that a percentage of principal and interest be deposited with the Fiscal Agent until 100 percent of principal and interest due is on account by October 1, 2014. As of June 30, 2015, the tax and revenue anticipation notes obligation has been fulfilled by the District.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2014	Additions	Payments	Outstanding June 30, 2015
2/25/2014	0.10%	10/1/2014	$ 11,910,000	$ -	$ 11,910,000	$ -

NOTE 9 - 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	$ 134,126,464	$ 2,369,970	$ 5,750,000	$ 130,746,434	$ 5,795,000
Premium on issuance	8,887,891	-	1,302,961	7,584,930	-
Qualified zone academy bonds	3,590,299	-	325,606	3,264,693	341,886
Early retirement incentives	4,500,490	-	985,093	3,515,397	606,919
Capital lease	208,329	-	99,539	108,790	108,790
Other postemployment benefits	100,851	-	100,851	-	-
Accumulated vacation - net	1,331,581	90,420	-	1,422,001	-
Claims liability	1,840,334	543,459	798,823	1,584,970	798,823
	$ 154,586,239	$ 3,003,849	$ 9,362,873	$ 148,227,215	$ 7,651,418

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on qualified zone academy bonds are paid by the Building Fund. Payments on early retirement incentive are made by the General Fund. Payments on capital leases are paid by the General Fund and the Cafeteria Fund. Other postemployment benefits will be paid by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Claims liability will be paid by the Internal Service Fund.

2001 Election General Obligation Bonds, Series B

On June 19, 2003, the District issued the $30,000,000 2001 Election General Obligation Bonds, Series B. The Series B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $29,170,000, and an aggregate principal debt service balance of $59,170,000. The bonds have a final maturity to occur June 1, 2028, with interest rates of 2.20 to 5.20 percent. Proceeds from the sale of the bonds were used to improve health and safety conditions of neighborhood schools, relieve classroom overcrowding, replace inadequate electrical, heating and ventilation systems, roofs, plumbing, and sewer systems, renovate outdated science laboratories, and renovate and/or add classrooms and other facilities. At June 30, 2015, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005 B was $28,794,447. Unamortized premium received on issuance of the bonds amounted to $422,721 as of June 30, 2015.

2006 Election General Obligation Bonds, 2006 Series A

On August 31, 2006, the District issued the $47,000,000 2006 Election General Obligation Bonds, 2006 Series A. The bonds have a fund maturity to occur August 1, 2031, with interest rates yields of 4.00 to 5.00 percent.

On May 9, 2013 the District issued the $40,500,000 2013 General Obligation Refunding Bonds. The net proceeds from the Refunding Bonds were used to advance refund a portion of the District's outstanding 2006 Election General Obligation Bonds, 2006 Series A. The final payment on the remaining obligation for the 2006 Election General Obligation Bonds, 2006 Series A occurred during the 2014-2015 fiscal period.

2006 Election General Obligation Bonds, 2007 Series B

On October 3, 2007, the District issued the $18,999,949 2006 Election General Obligation Bonds, 2007 Series B. The 2007 Series B bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting $19,460,051, and an aggregate principal debt service balance of $38,460,000. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields of 3.50 to 5.25 percent. Proceeds from the sale of the bonds were used to repair or replace deteriorating plumbing, restrooms, heating, ventilation, and electrical systems; upgrade classroom technology and computers, construct new library/media centers, and upgrade inadequate classrooms, equipment, school facilities and grounds. At June 30, 2015, the principal balance outstanding of the 2006 Election General Obligation Bonds, 2007 Series B was $21,181,987. Unamortized premium received on issuance of the bonds amounted to $308,749 as of June 30, 2015.

2001 Election General Obligation Refunding Bonds, 2011 Series A

On December 6, 2011, the District issued the $13,495,000 2001 Election General Obligation Refunding Bonds, 2011 Series A. The bonds have a final maturity to occur on August 1, 2026, with interest rates from 3.00 to 5.25 percent. The net proceeds of $15,050,332 (representing the principal amount of $13,495,000 plus premium on issuance of $1,555,332) from the issuance were used to advance refund the District's outstanding 2001 Election General Obligation Bonds, Series A and to pay the costs of issuance associated with the refunding bonds, with the prepayment to occur on August 1, 2012. At June 30, 2015, the principal balance outstanding on the 2001 Election General Obligation Refunding Bonds, 2011 Series A was $12,215,000. Unamortized premium received on issuance of the bonds amounted to $1,296,108 as of June 30, 2015.

2012 General Obligation Bonds, Series A

On May 9, 2013, the District issued $30,000,000 2012 General Obligation Bonds, Series A. The Series A bonds represent the first series of the authorized bonds to be issued under the authorization as approved by voters. The bonds were issued as current interest bonds. The bonds have a final maturity to occur August 1, 2052, with interest rates from 2.00 to 4.15 percent. Proceeds from the bonds will be used to finance repair, upgrading, acquisition, construction and equipping school property and facilities approved by the voters and pay costs associated with the issuance of the bonds. At June 30, 2015, the principal balance outstanding was $28,750,000. Unamortized premium received on issuance of the bonds amounted to $1,033,724 as of June 30, 2015.

2013 General Obligation Refunding Bonds

On May 9, 2013, the District issued the $40,500,000 2013 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2031, with interest rates from 2.00 to 5.00 percent. The net proceeds of $46,380,717 (representing the principal amount of $40,500,000 plus premium on issuance of $5,880,717) from the issuance were used to advance refund the District's outstanding 2006 General Obligation Bonds, 2006 Series A and to pay the costs of issuance associated with the refunding bonds, with the prepayment to occur on August 1, 2014. At June 30, 2015, the principal balance outstanding was $39,805,000. Unamortized premium received on issuance of the bonds amounted to $4,523,628 as of June 30, 2015.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued/ Accreted	Redeemed	Bonds Outstanding June 30, 2015
6/19/2003	6/1/2028	2.20%-5.20%	$ 30,000,000	$ 29,506,418	$ 1,398,029	$ 2,110,000	$ 28,794,447
8/31/2006	8/1/2031	4.00%-5.00%	47,000,000	1,035,000	-	1,035,000	-
10/3/2007	8/1/2032	3.50%-5.25%	18,999,949	21,035,046	971,941	825,000	21,181,987
12/6/2011	8/1/2026	3.00%-5.25%	13,495,000	12,715,000	-	500,000	12,215,000
5/9/2013	8/1/2052	2.00%-4.15%	30,000,000	30,000,000	-	1,250,000	28,750,000
5/9/2013	8/1/2031	2.00%-5.00%	40,500,000	39,835,000	-	30,000	39,805,000
				$ 134,126,464	$ 2,369,970	$ 5,750,000	$ 130,746,434

Debt Service Requirements to Maturity

The bonds mature through 2053 as follows:

Fiscal Year	Principal Including Accreted Interest To Date	Accreted Interest	Current Interest	Total
2016	$ 5,748,040	$ 46,960	$ 3,638,611	$ 9,433,611
2017	6,062,762	202,238	3,537,111	9,802,111
2018	4,940,766	369,234	3,458,949	8,768,949
2019	5,146,870	548,130	3,405,024	9,100,024
2020	5,335,467	734,533	3,329,399	9,399,399
2021-2025	30,400,071	6,834,929	15,016,684	52,251,684
2026-2030	32,865,781	10,129,219	10,685,011	53,680,011
2031-2035	15,016,677	6,248,323	6,251,987	27,516,987
2036-2040	2,825,000	-	5,336,625	8,161,625
2041-2045	5,465,000	-	4,436,150	9,901,150
2046-2050	9,120,000	-	2,863,125	11,983,125
2051-2053	7,820,000	-	548,100	8,368,100
Total	$ 130,746,434	$ 25,113,566	$ 62,506,776	$ 218,366,776

Qualified Zone Academy Bonds (QZAB)

On December 19, 2008, the District entered into a lease-lease back agreement whereby the District is leasing Fairvalley High School from the Covina-Valley Unified School District Facilities Finance Corporation in exchange for repaying the QZABs. The purpose of the agreement was to provide $5,000,000 for financing the cost of purchasing equipment and certain improvements to the property. The financing for the improvements is proved by the issuance of QZABs, pursuant to Section 1397E of the Internal Revenue Code. The District is required to make annual repayments, which will be invested in a special fund. The repayments, along with the interest earned, is expected to be sufficient to pay the remaining principal on the bonds. At June 30, 2015, the outstanding balance on the QZABs is $3,264,693.

Year Ending June 30,	Principal	Interest	Total
2016	$ 341,886	$ 32,647	$ 374,533
2017	358,980	29,228	388,208
2018	376,929	25,638	402,567
2019	395,775	21,869	417,644
2020	415,564	17,911	433,475
2021-2023	1,375,559	27,959	1,403,518
Total	$ 3,264,693	$ 155,252	$ 3,419,945

Early Retirement Incentive

During the 2007-2008 school year, the District adopted a supplemental retirement plan whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The criteria for participation were as follows: employees must be employed by the District as of February 12, 2008, eligible to retire under CalSTRS or CalPERS as of June 30, 2008, have resigned from the District after the completion of the 2007-2008 school year on or before June 30, 2008, have retired from CalSTRS or CalPERS no later than July 1, 2008, and have applied for benefits under this plan. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 102 employees, were purchased from Pacific Life Insurance Company.

During the 2010-2011 school year, the District adopted three additional early retirement incentives; STRS Golden Handshake, PERS Golden Handshake, and one other supplemental retirement program.

During the 2013-2014 school year, the District adopted an early retirement incentive: STRS Golden Handshake and PERS Golden Handshake. The incentives were provided for 52 employees.

As of June 30, 2015, the balance of the combined obligations associated with the supplemental retirement plans was $3,515,397.

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	$ 246,756
Payments	123,378
Balance, June 30, 2015	$ 123,378

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 123,378
Less: Amount Representing Interest	14,588
Present Value of Minimum Lease Payments	$ 108,790

Other Postemployment Benefits (OPEB) Asset

The District's annual required contribution for the year ended June 30, 2015, was $893,807, and contributions made by the District during the year were $1,054,763. Interest on the net OPEB obligation and adjustments to the annual required contribution were $(4,034) and $5,832, respectively, which resulted in a (decrease) to the net OPEB obligation of $159,158. As of June 30, 2015, the net OPEB asset was $58,307. See Note 12 for additional information regarding the OPEB asset and the postemployment benefits plan.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $1,422,001.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2015, amounted to $1,584,970, using a discount factor of two percent.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 35,000	$ -	$ -	$ -	$ -	$ 35,000
Stores inventories	87,507	56,892	-	-	-	144,399
Total Nonspendable	122,507	56,892	-	-	-	179,399
Restricted						
Legally restricted programs	5,449,677	5,822,669	-	-	17,611	11,289,957
Capital projects	-	-	2,798,165	-	182,312	2,980,477
Debt services	-	-	-	5,986,240	-	5,986,240
Total Restricted	5,449,677	5,822,669	2,798,165	5,986,240	199,923	20,256,674
Assigned						
Deferred maintenance program	57,799	-	-	-	-	57,799
Shop cards	4,321	-	-	-	-	4,321
Donations	258,101	-	-	-	-	258,101
Rotary mini grant	6,354	-	-	-	-	6,354
Lost book replacement	76,845	-	-	-	-	76,845
Library collections	18,032	-	-	-	-	18,032
DHH donations	3,470	-	-	-	-	3,470
Parent project	2,814	-	-	-	-	2,814
Sacramento trip	1,987	-	-	-	-	1,987
Advance placement exam fees	9,799	-	-	-	-	9,799
Star testing	4,473	-	-	-	-	4,473
CASHSEE testing	11,093	-	-	-	-	11,093
Friend of Covina Valley	6,652	-	-	-	-	6,652
Mandated block grant reserve	80,000	-	-	-	-	80,000
Total Assigned	541,740	-	-	-	-	541,740
Unassigned						
Reserve for economic uncertainties	3,765,216	-	-	-	-	3,765,216
Remaining unassigned	5,434,865	-	-	-	-	5,434,865
Total Unassigned	9,200,081	-	-	-	-	9,200,081
Total	$ 15,314,005	$ 5,879,561	$ 2,798,165	$ 5,986,240	$ 199,923	$ 30,177,894

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Financing Uses		
	Budget	Actual	Excess
General Fund	$ 125,501,318	$ 129,127,771	$ 3,626,453

Actual expenditures include on-behalf payments of $3,056,868 as required by generally accepted accounting principles, in addition to expenditures from Fund 11, Adult Education and Fund 14, Deferred Maintenance, due to their consolidation into the General Fund for reporting purposes.

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

Plan Description

The postemployment benefit plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Covina-Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 106 retirees and beneficiaries currently receiving benefits, 14 terminated plan members entitled to but not yet receiving benefits, and 940 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed $1,054,763 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Asset

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

Annual required contribution	$ 893,807
Interest on net OPEB asset	(4,034)
Adjustment to annual required contribution	5,832
Annual OPEB cost (expense)	895,605
Contributions made	(1,054,763)
Increase in net OPEB asset	(159,158)
Net OPEB obligation, beginning of year	100,851
Net OPEB asset, end of year	$ (58,307)

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB (Asset)/Obligation
2013	$ 727,961	$ 848,757	117%	$ (95,016)
2014	895,502	699,635	78%	100,851
2015	895,605	1,054,763	118%	(58,307)

Funded Status and Funding Progress

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

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, 2013	$ -	$ 8,355,091	$ 8,355,091	0%	$ 74,920,958	11%

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, 2013, actuarial valuation, the unprojected 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 five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 24 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2015, the District was self-insured for property and liability coverage, and participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) risk management pool for amounts in excess of the District's member retention limit $25,000 for property and liability claims.

Workers' Compensation

For the fiscal year of 2014-2015, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2014-2015 fiscal year was $250,000. Excess liability coverage for workers' compensation claims is provided by Schools Excess Liability Fund (SELF) public entity risk pool, through ASCIP.

Employee Medical Benefits

The District has contracted with various vendors to provide employee health benefits through the purchase of commercial insurance. Kaiser and Anthem Blue Cross provide medical care, Delta Dental and Delta Care provide dental care, VSP provides vision care and Mutual of Omaha provides life insurance. In addition, the District has contracted with Southern California Schools Employee Benefits Association (SCSEBA), a joint powers authority, to provide employee medical benefits. SCSEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process.

Claims Liabilities

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

Unpaid Claims Liabilities

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

	Workers' Compensation
Liability Balance, July 1, 2013	$ 1,517,506
Claims and changes in estimates	888,870
Claims payments	566,042
Liability Balance, June 30, 2014	1,840,334
Claims and changes in estimates	543,459
Claims payments	798,823
Liability Balance, June 30, 2015	$ 1,584,970
Assets available to pay claims at June 30, 2015	$ 5,979,716

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	$ 69,056,755	$ 5,248,838	$ 17,005,094	$ 5,961,828
CalPERS	17,659,852	2,060,153	6,972,800	1,569,600
Total	$ 86,716,607	$ 7,308,991	$ 23,977,894	$ 7,531,428

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	
Hire date	On or before December 31, 2012	On or after 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 $5,248,838.

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	$	69,056,755
State's proportionate share of the net pension liability associated with the District		41,699,450
Total	$	110,756,205

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 0.1182 percent.

For the year ended June 30, 2015, the District recognized pension expense of $5,961,828. In addition, the District recognized revenue and pension expense of $3,600,009 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	$ 5,248,838	$ -
Difference between projected and actual earnings on pension plan investments	-	17,005,094
Total	$ 5,248,838	$ 17,005,094

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	$ 4,251,274
2017	4,251,274
2018	4,251,274
2019	4,251,272
Total	$ 17,005,094

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%)	$ 107,641,420
Current discount rate (7.60%)	69,056,755
1% increase (8.60%)	36,884,156

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 $2,060,153.

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 $17,659,852. 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 0.1556 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,569,600. 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	$ 2,060,153	$ -
Net change in proportionate share of net pension liability	-	904,677
Difference between projected and actual earnings on pension plan investments	-	6,068,123
Total	$ 2,060,153	$ 6,972,800

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	$ 301,559
2017	301,559
2018	301,559
	$ 904,677

The deferred inflow of resources related to differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,517,031
2017	1,517,031
2018	1,517,031
2019	1,517,030
Total	$ 6,068,123

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 30,979,411
Current discount rate (7.50%)	17,659,852
1% increase (8.50%)	6,530,017

Tax Deferred Annuity/Social Security

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 Social Security as its alternative plan. District and employee contributions are determined by statute.

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 $3,056,868 (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.

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Northview High Aquatics Center Phase 1	$ 2,000,000	February 1, 2016
District Wide Flooring	658,293	September 1, 2015
Various Sites Exterior Painting	349,381	December 1, 2015
Valencia Mini Mod	1,449,688	July 1, 2016
Covina High Track and Field	1,179,752	June 1, 2016
District Sports Complex	4,764,423	October 1, 2015
	$ 10,401,537	

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

The District is a member of the Southern California Schools Employee Benefits Association (SCSEBA), joint power authority, and the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool and, through participation in ASCIP, the Schools Excess Liability Fund (SELF) public entity risk pool. The District pays an annual premium to SCSEBA and ASCIP for its medical and property/liability and workers' compensation excess liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2015, the District made a payment of $9,515,088 and $983,715 to SCSEBA and ASCIP, respectively, for services received.

NOTE 17 - SUBSEQUENT EVENTS

On July 9, 2015, the District issued the 2012 General Obligation Bonds, Series B in the amount of $37,000,000 with interest rates ranging from 2.0 to 5.0 percent. The 2012 General Obligation Bonds have a final maturity of August 1, 2044. Proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

NOTE 18 - 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	Governmental Activities
Net Position - Beginning	$ 14,681,891
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(109,750,872)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	6,210,823
Net Position - Beginning, as restated	$ (88,858,158)

REQUIRED SUPPLEMENTARY INFORMATION

COVINA-VALLEY 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	$ 94,597,298	$ 94,374,861	$ 96,381,587	$ 2,006,726
Federal sources	6,628,995	6,701,319	6,686,542	(14,777)
Other State sources	12,440,378	15,050,881	15,407,114	356,233
Other local sources	5,086,175	4,895,974	6,192,639	1,296,665
Total Revenues [1]	118,752,846	121,023,035	124,667,882	3,644,847
EXPENDITURES				
Current				
Certificated salaries	56,997,108	58,043,448	57,994,840	48,608
Classified salaries	19,152,413	17,611,275	18,497,834	(886,559)
Employee benefits	22,853,476	23,218,736	26,339,822	(3,121,086)
Books and supplies	6,058,326	8,562,127	6,996,608	1,565,519
Services and operating expenditures	11,036,607	12,131,303	11,945,001	186,302
Capital outlay	946,870	884,002	1,250,639	(366,637)
Other outgo	5,820,704	4,484,487	4,450,147	34,340
Total Expenditures [1]	122,865,504	124,935,378	127,474,891	(2,539,513)
Excess (Deficiency) of Revenues Over Expenditures	(4,112,658)	(3,912,343)	(2,807,009)	1,105,334
Other Financing Sources (Uses)				
Transfers in	50,000	-	-	-
Transfers out	-	(565,940)	(1,652,880)	(1,086,940)
Net Financing Sources (Uses)	50,000	(565,940)	(1,652,880)	(1,086,940)
NET CHANGE IN FUND BALANCES	(4,062,658)	(4,478,283)	(4,459,889)	18,394
Fund Balance - Beginning	19,773,894	19,773,894	19,773,894	-
Fund Balance - Ending	$ 15,711,236	$ 15,295,611	$ 15,314,005	$ 18,394

[1] On behalf payments of $3,056,868 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the Actual (GAAP Basis) revenues and expenditures, but are not included in the original and final General Fund budgets.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

CAFETERIA 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				
Federal sources	$ 4,452,070	$ 4,645,210	$ 5,085,936	$ 440,726
Other State sources	385,765	387,811	411,336	23,525
Other local sources	863,240	794,433	775,031	(19,402)
Total Revenues	5,701,075	5,827,454	6,272,303	444,849
EXPENDITURES				
Current				
Classified salaries	2,097,208	2,034,615	1,871,207	163,408
Employee benefits	687,547	698,191	547,412	150,779
Books and supplies	2,622,117	2,955,152	2,880,922	74,230
Services and operating expenditures	223,925	225,595	149,411	76,184
Other outgo	201,227	318,901	271,742	47,159
Debt service - principal	2,542	2,638	2,543	95
Total Expenditures	5,834,566	6,235,092	5,723,237	511,855
NET CHANGE IN FUND BALANCES	(133,491)	(407,638)	549,066	956,704
Fund Balance - Beginning	5,330,495	5,330,495	5,330,495	-
	$ 5,197,004	$ 4,922,857	$ 5,879,561	$ 956,704

COVINA-VALLEY 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, 2009	$ -	$ 6,976,855	$ 6,976,855	0%	$ 68,551,431	10%
July 1, 2011	-	6,737,951	6,737,951	0%	70,102,418	10%
July 1, 2013	-	8,355,091	8,355,091	0%	74,920,958	11%

COVINA-VALLEY 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	0.1182%
District's proportionate share of the net pension liability	$ 69,056,755
State's proportionate share of the net pension liability associated with the District	41,699,450
Total	$ 110,756,205
District's covered - employee payroll	$ 55,766,890
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	123.83%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.1556%
District's proportionate share of the net pension liability	$ 17,659,852
District's covered - employee payroll	$ 16,402,026
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	107.67%
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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	2015
CalSTRS	
Contractually required contribution	$ 5,248,838
Contributions in relation to the contractually required contribution	5,248,838
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 59,108,536
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 2,060,153
Contributions in relation to the contractually required contribution	2,060,153
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 17,503,424
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

COVINA-VALLEY 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	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	$ 2,523,026
Title I, Part G - Advance Placement Test Fee Reimbursement Program	84.330B	14831	34,595
Title II, Part A - Improving Teacher Quality	84.367	14341	199,468
Title III, Limited English Proficiency	84.365	10084	165,035
Title X, McKinney-Vento Homeless Children Assistance	84.196	14332	2,492
Carl D. Perkins Career and Technical Education Act	84.048	14894	
Career and Technical Education Cluster			
Career and Technical Education - Secondary, Section 131	84.048	14894	94,447
Career and Technical Education - Adult, Section 132	84.048	14893	18,882
Subtotal - Career and Technical Education Cluster			113,329
Passed Through East San Gabriel Valley SELPA to CVUSD			
Special Education (IDEA) Cluster:			
Local Assistance	84.027	13379	2,614,308
Private School Grant, Part B Section 611	84.027	10115	50,167
Preschool Grant, Part B, Section 619	84.173	13430	55,483
Preschool Local Grant, Part B	84.027A	13682	77,717
Mental Health Allocation Part B	84.027	14468	218,227
Subtotal Special Education (IDEA) Cluster			3,015,902
Early Intervention Programs, Part C	84.181	23761	170,597
Passed Through East San Gabriel Valley SELPA to Other Districts			
Special Education (IDEA) Cluster:			
Local Assistance	84.027	13379	14,243,627
Preschool Grant, Part B, Section 619	84.173	13430	352,251
Preschool Local Grant, Part B	84.027A	13682	431,768
Mental Health Allocation Part B	84.027	14468	752,014
Preschool Staff Development	84.173A	13431	2,728
Subtotal Special Education (IDEA) Cluster			15,782,388
Early Intervention Programs, Part C	84.181	23761	113,730
Total U.S. Department of Education			22,120,562

See accompanying note to supplementary information.

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed Through California Department of Health Services			
Medi-Cal Billing Options	93.778	10013	$ 494,317
Child Care Development Fund Cluster:			
Child Development: Federal Child Care, Center-Based	93.575	13609 and 15136	246,580
Child Development: Federal State Preschool	93.596	13609	154,330
Subtotal - Child Development Fund Cluster			400,910
Total U.S. Department of Health and Human Services			895,227
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13523	3,467,631
Basic School Breakfast	10.553	13525	1,213,733
Food Distribution	10.555	13523	404,572
Subtotal Child Nutrition Cluster			5,085,936
U.S. DEPARTMENT OF LABOR			
Passed Through East San Gabriel Valley SELPA			
Youth Career Connect Program	17.274	YC-25405-14-60-A-6	13,044
Total Federal Programs			$ 28,114,769

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Covina-Valley Unified School District (the District) was unified on December 15, 1959 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, three middle schools, three high schools, an alternative high school, a children's center program and adult education centers.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Darrell A. Myrick	President	2017
Richard M. White	Vice President	2017
William L. Knoll	Clerk	2015
Charles M. Kemp	Member	2015
Sue L. Maulucci	Member	2015

ADMINISTRATION

NAME	TITLE
Catherine J. Nichols, Ed.D.	District Superintendent
Louise Taylor	Interim Assistant Superintendent, Personnel Services
Elizabeth Eminhizer	Assistant Superintendent, Educational Services
Jennifer Root	Chief Business Officer

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,208.30	3,203.91
Fourth through sixth	2,465.22	2,456.16
Seventh and eighth	1,735.19	1,729.14
Ninth through twelfth	4,521.22	4,485.00
Total Regular ADA	11,929.93	11,874.21
Extended Year Special Education		
Transitional kindergarten through third	4.39	4.39
Fourth through sixth	7.15	7.15
Seventh and eighth	4.11	4.11
Ninth through twelfth	12.18	12.18
Total Extended Year Special Education	27.83	27.83
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.77	3.72
Fourth through sixth	3.66	3.78
Seventh and eighth	3.41	3.31
Ninth through twelfth	10.36	9.93
Total Special Education, Nonpublic, Nonsectarian Schools	21.20	20.74
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.31	0.31
Fourth through sixth	0.53	0.53
Seventh and eighth	0.32	0.32
Ninth through twelfth	1.03	1.03
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.19	2.19
Community Day School		
Seventh and eighth	0.59	0.51
Ninth through twelfth	2.79	2.86
Total Community Day School	3.38	3.37
Total ADA	11,984.53	11,928.34

See accompanying note to supplementary information.

COVINA-VALLEY 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 Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	43,950	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			49,672	180	-	Complied
Grade 2			50,512	180	-	Complied
Grade 3			50,512	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			53,004	180	-	Complied
Grade 5			53,004	180	-	Complied
Grade 6			55,344	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			55,344	180	-	Complied
Grade 8			55,344	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,970	180	-	Complied
Grade 10			63,970	180	-	Complied
Grade 11			63,970	180	-	Complied
Grade 12			63,970	180	-	Complied

See accompanying note to supplementary information.

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.

COVINA-VALLEY 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	$ 138,314,980	$ 124,559,365	$ 118,395,558	$ 115,830,081
Other sources	-	-	201,085	1,826,957
Total Revenues and Other Sources	138,314,980	124,559,365	118,596,643	117,657,038
Expenditures	127,112,909	126,200,148	120,986,952	114,613,550
Other uses and transfers out	-	2,363,910	1,465,808	2,915,203
Total Expenditures and Other Uses	127,112,909	128,564,058	122,452,760	117,528,753
INCREASE (DECREASE) IN FUND BALANCE	$ 11,202,071	$ (4,004,693)	$ (3,856,117)	$ 128,285
ENDING FUND BALANCE	$ 26,441,608	$ 15,239,537	$ 19,244,230	$ 23,100,347
AVAILABLE RESERVES [2]	$ 18,240,869	$ 9,200,081	$ 9,777,307	$ 14,923,939
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	14.35%	7.33%	8.18%	13.00%
LONG-TERM OBLIGATIONS	N/A	$ 148,227,215	$ 154,586,239	$ 155,151,284
K-12 AVERAGE DAILY ATTENDANCE AT P-2	11,437	11,985	12,289	12,577

The General Fund balance has decreased by $7,860,810 over the past two years. The fiscal year 2015-2016 budget projects an increase of $11,202,071 (73.5 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 deficits in two of the past three years but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by $6,924,069 over the past two years.

Average daily attendance has decreased by 592 over the past two years. An additional decline of 548 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 $3,056,868, $2,915,876, and $2,754,736, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

[4] General Fund amounts do not include activity related to the consolidation of Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund.

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ (207,862)	$ 182,059	$ (25,803)
Receivables	313,007	253	313,260
Total Assets	$ 105,145	$ 182,312	$ 287,457
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 87,534	$ -	$ 87,534
Fund Balances:			
Restricted	17,611	182,312	199,923
Total Liabilities and Fund Balances	$ 105,145	$ 182,312	$ 287,457

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	$ 400,910	$ -	$ 400,910
Other State sources	1,141,139	-	1,141,139
Other local sources	46,607	183,042	229,649
Total Revenues	1,588,656	183,042	1,771,698
EXPENDITURES			
Current			
Instruction	1,331,190	-	1,331,190
Supervision of instruction	78,643	-	78,643
School site administration	57,934	-	57,934
Pupil services:			
Food services	15,902	-	15,902
All other pupil services	192	-	192
Administration:			
All other administration	109,726	1,793	111,519
Plant services	106,105	-	106,105
Total Expenditures	1,699,692	1,793	1,701,485
Excess (Deficiency) of Revenue Over Expenditures	(111,036)	181,249	70,213
Other Financing Sources			
Transfers in	100,245	-	100,245
NET CHANGE IN FUND BALANCES	(10,791)	181,249	170,458
Fund Balance - Beginning	28,402	1,063	29,465
Fund Balance - Ending	$ 17,611	$ 182,312	$ 199,923

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE
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						
Federal revenue	$ 6,791	5.4	$ 5,714	4.8	$ 6,359	5.5
State and local revenue included in Local Control Funding Formula	96,382	77.4	87,712	74.1	68,345	59.0
Other State revenue	15,283	12.3	18,884	16.0	34,380	29.7
Other local revenue	3,209	2.6	3,323	2.8	6,746	5.8
Tuition and transfers in	2,894	2.3	2,763	2.3	-	0.0
Total Revenues	124,559	100.0	118,396	100.0	115,830	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	57,536	46.2	54,688	46.2	52,962	45.7
Classified salaries	17,702	14.2	17,554	14.8	16,578	14.3
Employee benefits	25,899	20.8	24,536	20.7	22,797	19.7
Total Salaries and Benefits	101,137	81.2	96,778	81.7	92,337	79.7
Books and supplies	6,960	5.6	4,151	3.5	3,550	3.1
Contracts and operating expenses	12,784	10.2	11,753	9.9	11,630	10.1
Capital outlay	768	0.6	1,594	1.4	692	0.6
Other outgo	4,551	3.7	6,711	5.7	6,405	5.5
Total Expenditures	126,200	101.3	120,987	102.2	114,614	99.0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,641)	(1.3)	(2,591)	(2.2)	1,216	1.0
OTHER FINANCING SOURCES (USES)						
Operating transfers, net	(2,364)	(1.9)	(1,265)	(1.1)	(1,088)	(0.9)
INCREASE (DECREASE) IN FUND BALANCE	(4,005)	(3.2)	(3,856)	(3.3)	128	0.1
FUND BALANCE, BEGINNING	19,244		23,100		22,972	
FUND BALANCE, ENDING	$ 15,239		$ 19,244		$ 23,100	

NOTE: General Fund amounts do not include activity related to the consolidation of Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund.

See accompanying note to supplementary information.

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 Options funds that in the current year were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 28,069,506
Medi-Cal Billing Options	93.778	45,263
Total Schedule of Expenditures of Federal Awards		$ 28,114,769

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at 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 is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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.

INDEPENDENT AUDITOR'S REPORTS

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

VALUE THE DIFFERENCE

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
Covina-Valley Unified School District
Covina, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Covina-Valley 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 Covina-Valley Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 18 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 Covina-Valley 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 Covina-Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Covina-Valley 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 Covina-Valley 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 Covina-Valley Unified School District in a separate letter dated December 1, 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.

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 1, 2015

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

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

Governing Board
Covina-Valley Unified School District
Covina, California

Report on Compliance for Each Major Federal Program

We have audited Covina-Valley 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 Covina-Valley Unified School District's major Federal programs for the year ended June 30, 2015. Covina-Valley 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 Covina-Valley 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 Covina-Valley 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 Covina-Valley Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Covina-Valley 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 Covina-Valley 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 Covina-Valley 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 Covina-Valley 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Covina-Valley Unified School District
Covina, California

Report on State Compliance

We have audited Covina-Valley 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 Covina-Valley 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 Covina-Valley 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 Covina-Valley 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. Our audit does not provide a legal determination of Covina-Valley Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Covina-Valley 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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

In connection with the audit referred to above, we selected and tested transactions and records to determine the Covina-Valley 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
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	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	No, see below
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 for this program was below the materiality threshold as indicated in the 2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

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

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

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

We did not perform testing over California Clean Energy Jobs Act as no expenditures were noted in the current year.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COVINA-VALLEY 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
84.027, 84.027A, 84.173, 84.173A	Special Education (IDEA) Cluster
93.778	Medi-Cal Billing Options

Dollar threshold used to distinguish between Type A and Type B programs:	$ 843,443
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

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

None reported.

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

None reported.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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

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

State Awards Findings

Unduplicated Local Control Funding Formula Pupil Counts

2014-001 Code 40000

Criteria or Specific Requirements

The School District is required to maintain supporting documentation such as a Free and Reduce Price Meal (FRPM) eligibility application or an alternative household income data collection form that indicates the student was eligible for the designation indicated on the California Longitudinal Pupil Achievement Data System (CALPADS) 2013-2014 certified report.

Condition

The District did not have supporting documentation for 11 of the 135 students selected, who had a status designation of Free or Reduce on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. It appeared the District did not receive a current year application for these students and the 1.18 report was not updated. A population of 2,332 students was identified by the District who had a Free or Reduced designation in the prior year and who did not turn in an application in the current year. The District reviewed the remaining students and determined there were 74 additional exceptions. This resulted in 85 exceptions noted in total.

Questioned Costs

The question costs associated with this condition resulted in a decrease in Local Control Formula Funding of $56,387.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The "1.18 – FRPM/English Learner/Foster Youth – Student List" was agreed to the"1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report to ensure the correct 1.18 report was used. The initial sample was selected from six school sites which resulted in exceptions noted at one site. It appeared the errors were a result of students who had a Free or Reduced designation in the prior year and who did not turn in an application in the current year by the October 2, 2013 certified date. Additional procedures were performed resulting in the review of the remaining population of 2,332 students. The District did not have supporting documentation for 85 students in total after all procedures were performed.

Effect

As a result of our testing, it appeared the District did not update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report for pupils that no supporting documentation was received indicating the student was eligible for the Free or Reduce designation as indicated on the CALPADS.

The following is a schedule of unduplicated pupil counts summarizing these results:

School Code	School Name	Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total(4)	Adjustment	Adjusted Total unduplicated pupil count
6012439	Barranca Elementary	641	491	(2)	489
6012447	Ben Lomond Elementary	463	391	(2)	389
1932086	Covina High	1369	981	(8)	973
6012538	Las Palmas Middle	926	754	(4)	750
6012561	Mesa Elementary	618	312	(6)	306
1936418	Northview High	1388	1051	(20)	1031
6012587	Rowland Avenue Elementary	502	387	(1)	386
6012595	Sierra Vista Middle	970	655	(9)	646
1938372	South Hills High	1824	1047	(33)	1014
TOTAL - Selected		**8701**	**6069**	**(85)**	**5984**

Cause

It appears the cause was due to the District being unsure which CALPADS report the changes had to be made to, and the timeline for which the District needed to make necessary changes to the reports.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should evaluate whether or not their 2014-2015 unduplicated pupil count percentage is higher than their 2013-2014 unduplicated percentage. If the District determines that their 2014-2015 unduplicated percentage is higher, the District's LCFF calculation will be based on the 2014-2015 unduplicated percentage, thus mitigating the financial impact the exceptions noted above have on compliance.

Current Status

Implemented

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

Governing Board
Covina-Valley Unified School District
Covina, California

In planning and performing our audit of the financial statements of Covina-Valley 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 December 1, 2015, on the government-wide financial statements of the District.

Internal Controls - Receipts

Untimely Deposits of General Fund Local Revenues

Observation

Per review of the supporting documents pertaining to the District's General Fund local revenues, it appears that deposits are not always made in a timely manner. Based on our review of sample transmittals selected for testing, it appears that the delay in deposits ranged from 20 to 21 days. The delay in deposits of cash collections may increase the probability of loss.

Recommendation

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

Untimely Deposits of Adult Education Fund Local Revenues

Observation

Per review of the supporting documents pertaining to the District's Adult Education Fund local revenues, it appears that the deposits are not always made in a timely manner. Based on our review of sample transmittals selected for testing, it appears that the delay in deposits ranged from 11 to 110 days. The delay in deposits of cash may increase the probability of loss.

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Recommendation

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

Untimely Deposits of Kids Korner Local Revenues

Observation

Per review of the supporting documents pertaining to the District's Kids Korner local revenues, it appears that the deposits are not always made in a timely manner. Based on our review of sample transmittals selected for testing, it appears that the delay in deposits ranged from 15 to 38 days. The delay in deposits of cash may increase the probability of loss.

Recommendation

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

Internal Controls - Disbursements

Observations

The following weaknesses were noted with disbursements:

1. During our review of credit card disbursements, the auditor noted three disbursements that are unallowed under the CAL-Card purchasing policies and procedures. Two of the three purchases were for gasoline and one was for a computer hard drive. Per the approved CAL-Card policy, gasoline purchases are prohibited and technology supplies are not allowed unless pre-approved by the Director of Technology.
2. Five out of 40 disbursement reviewed had the invoice dated prior to the requisition date. This would indicate that items are being purchased prior to being approved.

Recommendations

1. The District should adhere to its CAL-Card Purchasing Card Program policies and procedures. Administrators of each department should inform its personnel of the type of expenses allowed under the approved CAL-Card program.
2. The District should take the necessary steps to ensure that all items have been reviewed and approved prior to being purchased. This will help ensure items are appropriate and funds are available.

ASSOCIATE STUDENT BODY

Sierra Vista Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that 3 out of 14 receipts tested were not deposited in a timely manner. The delay in deposit ranged from 11 to 74 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.

South Hills High School

Cash Receipts

Observations

1. Cash collected by teachers, advisors, or clubs is not always accounted for properly. Cash collections are not always supported by sub-receipts or logs that tie the total to the Student Body Deposit Slip. All 13 deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these collections were deposited intact.
2. Based on the review of the cash receipting procedures, it was noted that 4 of 13 receipts tested were not deposited in a timely manner. The delay in deposit ranged from 13 to 19 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Student Body Deposit Slip should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Disbursements

Observations

1. Open purchase orders ("Expenditure Approval") are liberally used for ASB disbursements. Many of the Expenditure Approvals were created for the entire year for a flat amount to cover general purchases. All 25 disbursements tested utilized open Expenditure Approval.
2. One out of 25 disbursements tested was paid without supporting documentation such as an invoice or receipt to substantiate the payment being processed.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, 7 of 25 vendor invoices were paid without documented evidence of whether or not the goods being ordered have been received by the ASBs.
4. Based on the review of the disbursement procedures, it was noted that 4 of 25 disbursements tested were not consistently approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
5. Based on our review of ASB disbursements, we noted one disbursement was an expenditure that was a donation to a not for profit charity, which is not an allowable ASB expense.
6. Based on the review of the disbursement procedures, it was noted that disbursement documentation requires three signatures, None of the three signatures is for the site administrator.

Recommendations

1. The ASB should minimize the use of open purchase with high authorization amounts. The ASB should also be cognizant of its operating budget when creating these open purchase orders in order to prevent any instances of deficit spending. Furthermore, all purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. This would allow the ASB to facilitate the pre-approval of disbursement transactions.
2. All ASB disbursements should be accompanied by supporting invoices or receipts which document the reasons and the amount being paid. Disbursements should not be made if supporting invoices or receipts are not present during the approval process.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. According to the student government accounting manual, student government money should not be used for expenditures for goods/services that do not involve the student body. We noted ASB funds were used to donate to a not for profit charity, an unallowable expense. The ASB should be provided proper training to ensure unallowable expenditures do not occur.
6. We recommend that the site implement a process to verify that all three approvers (ASB representative, faculty advisor, or site administrators) sign the pre-approval forms prior to making contact with the vendors.

Fundraising Activities

Observations

1. During our review of fundraising activities, it was noted that two out of four fund raises tested were not noted as pre approved within the ASB minutes. In addition, all four fundraisers tested did not have revenue potential forms completed.
2. During our review of fundraising activities, it was noted there is not adequate backup for the money received from students, advisors, and teachers for the fundraising activities.

Recommendations

1. All fundraisers should reflect pre-approval within the ASB minutes. All revenue potential forms must be completely filled out before and at the end of each fundraiser. The revenue potential form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales and an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
2. We recommend the site implement a system to keep track of items sold for purposes for collecting monies for ASB fundraising activities. This may be done through a physical inventory count prior to sales taking place, as well as performing an inventory count after sales. In addition, sites may implement a tally sheet documenting items being sold, as well as the selling price. After, the sales advisors should reconcile the tally sheet to the cash collected and submit all documentation to the individual depositing cash to the bank.

Other

Observations

1. During our review of student store activities, it was noted daily sales reports are not prepared for student store sales. The auditor noted the student store had significant amounts of unexplained discrepancies between daily sales totals and monies collected. The overages and shortages were documented by the site; however, no procedures were in place to identify the reasoning for the discrepancies. In addition, the site does not maintain perpetual inventory records for inventory of the student store. Therefore, no reconciliation is being performed between perpetual inventories to the physical count.
2. During the review of ASB activities, it was noted that the site maintains a change fund in the amount of $1,845. However, the account analysis reports the change fund in the amount of $800.

Governing Board
Covina-Valley Unified School District

Recommendations

1. Daily sales reports provide a reconciliation between the sales recorded for the day and the amount of money collected for the day. From these reports, the ASB can determine if there is an overage or shortage of funds collected. Daily overages and shortages in the register may indicate that merchandise was sold and not accounted for correctly on the register. To enhance the accountability and accounting of the student store activity, the importance of ringing all merchandise sales up and correctly reconciling sales daily should be emphasized to all who work the register. If there is a discrepancy, the ASB can evaluate and develop methods to reduce such variances from occurring. Additionally, the ASB can analyze the daily sales reports to view trends in sales. These trends may help the ASB predict/adjust their inventory to meet demand. Without the daily sales report, the ASB cannot effectively reconcile the amount of recorded sales for the day and money collected. The site should implement a perpetual inventory system that will allow the site to track daily sales. This will aid the site in reconciling actual cash collection to estimated cash collections based on items sold. In addition, a perpetual inventory system will aid the site in reconciling the inventory to the monthly physical counts and identify any variances which may have resulted due to stolen goods.
2. The site should maintain documentation showing the District approved the change/petty cash fund and the specific amount of the approved change fund. This amount should be displayed on the site's year end ASB financial statements.

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

Vavrinek, Trine, Day + Co, LLP

Rancho Cucamonga, California
December 1, 2015