MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MENIFEE UNION SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Menifee Union School District
Menifee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union 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 Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and the budgetary comparison, other postemployment benefit information, District's proportionate share of net pension liability, and the District contributions on pages 66 through 69, 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 Menifee Union 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, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 Menifee Union 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 Menifee Union School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2015

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Menifee Pride
Working For You

Superintendent
Steve Kennedy, Ed.D.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include a variety of funds to include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

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

The *Fiduciary Activities* are prepared using the economic resources management 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 Menifee Union School District.

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.

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

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

***Governmental Activities* -** All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, food service, and the on-going effort to improve and maintain buildings and sites. Property taxes, State aid, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, certificates of participation, and Community Facilities Districts, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $141,909,301 for the fiscal year ended June 30, 2015. Of this amount, ($47,865,282) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing school board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	(As Restated) 2014
ASSETS		
Current and other assets	$ 78,923,980	$ 68,873,682
Capital assets	209,466,688	194,968,154
Total Assets	288,390,668	263,841,836
Deferred Outflows of Resources	4,353,635	3,731,776
LIABILITIES		
Current liabilities	5,195,914	8,922,023
Long-term obligations	78,635,399	53,877,003
Aggregate net pension liability	53,042,832	-
Total Liabilities	136,874,145	62,799,026
Deferred Inflows of Resources	13,960,857	66,119,542
NET POSITION		
Net investment in capital assets	154,845,787	159,327,876
Restricted	34,928,796	38,395,474
Unrestricted (deficit)	(47,865,282)	(59,068,306)
Total Net Position	$ 141,909,301	$ 138,655,044

Change in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15.

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 623,574	$ 3,611,236
Operating grants and contributions	12,746,252	12,297,701
General revenues:		
State revenue limit sources	53,705,732	47,060,824
Property and other taxes	11,688,143	9,837,005
Other general revenues	12,480,520	8,986,259
Total Revenues	91,244,221	81,793,025
Expenses		
Instruction-related	62,977,640	57,097,791
Pupil services	7,505,830	6,899,371
Administration	5,142,577	5,032,355
Plant services	7,863,671	7,113,384
Other	4,500,246	3,856,328
Total Expenses	87,989,964	79,999,229
Change in Net Position	$ 3,254,257	$ 1,793,796

Governmental Activities

As reported in the *Statement of Activities* on page 15 the cost of all of our governmental activities this year was $87,989,964. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $11,688,143 because the cost was paid by those who benefited from the programs $623,574 or by other governments and organizations who subsidized certain programs with grants and contributions $12,746,252. We paid for the remaining "public benefit" portion of our governmental activities with $61,956,252 in State funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Net Cost of Services	
	2015	2014
Instruction	$ 47,853,981	$ 43,069,250
Instruction-related activities	6,571,951	5,277,724
Other pupil services	3,974,948	3,216,501
General administration	4,861,071	4,527,695
Plant services	7,038,630	7,013,418
Other	4,319,557	985,704
Total	$ 74,620,138	$ 64,090,292

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $64,188,571 as detailed below:

Table 4

	Fund Balance at June 30,	
	2015	2014
General Fund	$ 11,049,734	$ 10,196,633
Building Fund	1,499,261	4,168,818
Capital Facilities Fund	30,221,322	32,564,526
Capital Project Fund for Blended Component Units	17,946,636	10,474,968
Non-Major Governmental Funds	13,819,144	3,299,084
Total	$ 74,536,097	$ 60,704,029

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in September 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66.)

COMMENTS ON MAJOR FUNDS

Each of the District's major funds is discussed below.

- The General Fund is the chief operating fund of the District used to account for ordinary operations. All transactions except for those required or permitted by law to be in another fund are accounted for in this 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.
- The Capital Facilities Fund (Fund 25) is used primarily to account separately for monies received from fees levied on developers to meet pupil housing needs. Home construction within the District boundaries increased for the year ending June 30, 2015.
- The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $209.5 million in a broad range of capital assets, including land, buildings, and equipment.

Table 5

(Net of Accumulated Depreciation)	Governmental Activities	
	2015	2014
Land and construction in process	$ 60,377,700	$ 40,352,010
Buildings and improvements/site improvements	148,609,456	153,912,165
Equipment	479,532	703,979
Total	$ 209,466,688	$ 194,968,154

Long-Term Obligations

At the end of this year, the District had $78.6 million in long-term obligations outstanding versus $53.9 million last year. Those long-term obligations consisted of the following:

Table 6

	Governmental Activities	
		(As restated)
	2015	2014
General obligation bonds (financed with property taxes)	$ 49,100,128	$ 48,750,998
Certificates of participation	29,407,775	4,634,043
Accumulated vacation	227,222	226,926
Supplementary Early Retirement Program (SERP)	-	259,597
Net OPEB asset	(99,726)	5,439
Total	$ 78,635,399	$ 53,877,003

The District's general obligation bond rating with Fitch is A+, and with S&P it is an AA-. The State limits the amount of general obligation bonds that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation bonds of $48.9 million are below this statutorily imposed limit.

Net Pension Liability (NPL)

As of June 30, 2105, the District's net pension liability is $53 million.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015

- The financial plan of the District continues to successfully support and implement the District's instructional mission, goals and plan.
- The District identified Collective Commitments in order to prioritize fiscal and human resources.
- The District continues to expand and improve on its instructional practices with the coaching support program for the benefit of its stakeholders.
- The District continues to seek to improve support services that offer cost savings.
- The District had a few small facility projects throughout the District during 2014-2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The following are some of the key budget assumptions the District is making:

- Numerous developers are increasing home permits within the District boundaries. The District anticipates enrollment will grow at an increased rate consistent with housing construction in the area. The District anticipates enrollment growth to exceed District projections for 2015-2016 by approximately 200 pupils.
- The District started new facilities projects for elementary school #10 and a new administrative facility located in the Haun Center in 2015/16.
- New upgrades are completed for all sites to install High Density Wi-Fi District-wide.
- A new Energy Management system and new energy efficient lighting have been installed District-wide. On-site solar energy generation carports, ground mounts and roof systems are currently being installed District-wide.
- The State has radically altered the historical funding method for public education. This new model, Local Control Funding Formula (LCFF) will continue to increase GAP funding. It appears that moving forward the District will continue to receive more funding in 2015-2016.
- Staffing issues and financial planning will continue to be very conservative during the multi-year projection period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, pupils, 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 further financial information, contact Pam Lauzon, Assistant Superintendent, Business Services, Menifee Union School District, 30205 Menifee Road, Menifee, California 92584, or email at business@menifeeusd.org.

MENIFEE UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 75,333,467
Receivables	3,559,993
Stores inventories	30,520
Capital Assets:	
Land and construction in process	60,377,700
Other capital assets	202,989,113
Less: Accumulated depreciation	(53,900,125)
Total Capital Assets	209,466,688
Total Assets	288,390,668
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	4,353,635
LIABILITIES	
Accounts payable	4,369,273
Interest payable	808,031
Unearned revenue	18,610
Long-Term Obligations	
Current portion of long-term obligations other than pensions	1,103,095
Noncurrent portion of long-term obligations other than pensions	77,532,304
Total Long-Term obligation	78,635,399
Aggregate net pension liability	53,042,832
Total Liabilities	136,874,145
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	13,960,857
NET POSITION	
Net investment in capital assets	154,845,787
Restricted for:	
Debt service	2,117,527
Capital projects	29,208,567
Educational programs	2,248,611
Other activities	1,354,091
Unrestricted	(47,865,282)
Total Net Position	$ 141,909,301

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

MENIFEE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 54,861,799	$ (2,237)	$ 7,010,055	$ (47,853,981)
Instruction-related activities:				
Supervision of instruction	2,951,467	-	1,435,769	(1,515,698)
Instructional library, media, and technology	727,264	-	56	(727,208)
School site administration	4,437,110	-	108,065	(4,329,045)
Pupil services:				
Home-to-school transportation	1,732,063	-	4,704	(1,727,359)
Food services	2,548,841	707,141	1,636,145	(205,555)
All other pupil services	3,224,926	-	1,182,892	(2,042,034)
General administration:				
Data processing	1,113,572	-	6,615	(1,106,957)
All other general administration	4,029,005	34,370	240,521	(3,754,114)
Plant services	7,579,318	16,760	808,281	(6,754,277)
Interest on long-term obligations	3,627,669	-	-	(3,627,669)
Other outgo	1,156,930	(132,460)	313,149	(976,241)
Total Governmental Activities	$ 87,989,964	$ 623,574	$ 12,746,252	(74,620,138)

General Revenues and Subventions:	
Property taxes, levied for general purposes	8,824,167
Property taxes, levied for debt service	2,602,800
Property taxes, levied for other specific purposes	261,176
State aid not restricted to specific purposes	53,705,732
Interest and investment earnings	29,991
Transfers between agencies	160,100
Miscellaneous	12,290,429
Total General Revenues and Subventions	77,874,395
Change in Net Position	3,254,257
Net Assets Beginning, as Restated	138,655,044
Net Position - Ending	$ 141,909,301

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

MENIFEE UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 9,910,658	$ 2,512,016	$ 31,626,500
Receivables	2,924,303	3,070	149,250
Due from other funds	30,163	-	-
Stores inventories	-	-	-
Total Assets	$ 12,865,124	$ 2,515,086	$ 31,775,750
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,789,102	$ 1,015,825	$ 1,554,428
Due to other funds	7,678	-	-
Unearned revenue	18,610	-	-
Total Liabilities	1,815,390	1,015,825	1,554,428
Fund Balances:			
Nonspendable	5,000	-	-
Restricted	2,248,611	1,499,261	30,221,322
Assigned	2,594,942	-	-
Unassigned	6,201,181	-	-
Total Fund Balances	11,049,734	1,499,261	30,221,322
Total Liabilities and Fund Balances	$ 12,865,124	$ 2,515,086	$ 31,775,750

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

Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ 17,946,636	$ 13,337,657	$ 75,333,467
-	483,370	3,559,993
-	7,678	37,841
-	30,520	30,520
$ 17,946,636	$ 13,859,225	$ 78,961,821
$ -	$ 9,918	$ 4,369,273
-	30,163	37,841
-	-	18,610
-	40,081	4,425,724
-	30,520	35,520
17,946,636	13,788,624	65,704,454
-	-	2,594,942
-	-	6,201,181
17,946,636	13,819,144	74,536,097
$ 17,946,636	$ 13,859,225	$ 78,961,821

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

Total Fund Balance - Governmental Funds		**$ 74,536,097**
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	$ 263,366,813	
Accumulated depreciation is	(53,900,125)	
Net Capital Assets		209,466,688
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		4,353,635
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.		(808,031)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(13,960,857)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(53,042,832)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	44,576,526	
Premium on issuance	1,328,792	
Certificates of participation	29,407,775	
Discount on issuance	(119,118)	
Compensated absences (vacations)	227,222	
Net OPEB asset	(99,726)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	3,313,928	
Total Long-Term Obligations		(78,635,399)
Total Net Position - Governmental Activities		**$ 141,909,301**

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

MENIFEE UNION SCHOOL DISTRICT

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

REVENUES	General Fund	Building Fund	Capital Facilities Fund
Local Control Funding Formula	$ 60,303,338	$ -	$ -
Federal sources	3,129,347	-	-
Other State sources	5,622,506	-	-
Other local sources	5,599,711	14,001	22,185
Total Revenues	74,654,902	14,001	22,185
EXPENDITURES			
Current			
Instruction	48,775,104	-	-
Instruction-related activities:			
Supervision of instruction	2,809,309	-	-
Instructional library, media, and technology	725,328	-	-
School site administration	4,394,823	-	-
Pupil services:			
Home-to-school transportation	1,560,141	-	-
Food services	-	-	-
All other pupil services	3,184,818	-	-
General administration:			
Data processing	1,078,083	-	-
All other general administration	3,807,422	-	147,621
Plant services	7,363,407	-	-
Facility acquisition and construction	-	2,683,558	1,718,317
Community services	67,372	-	-
Other outgo	155,859	-	-
Debt service			
Principal	-	-	356,268
Interest and other	-	-	143,183
Total Expenditures	73,921,666	2,683,558	2,365,389
Excess (Deficiency) of Revenues Over Expenditures	733,236	(2,669,557)	(2,343,204)
Other Financing Sources (Uses)			
Transfers in	130,000	-	-
Other sources	-	-	-
Transfers out	(10,135)	-	-
Net Financing Sources (Uses)	119,865	-	-
NET CHANGE IN FUND BALANCES	853,101	(2,669,557)	(2,343,204)
Fund Balances - Beginning	10,196,633	4,168,818	32,564,526
Fund Balances - Ending	$ 11,049,734	$ 1,499,261	$ 30,221,322

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

Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 60,303,338
-	1,735,293	4,864,640
-	498,260	6,120,766
1,146,634	3,343,969	10,126,500
1,146,634	5,577,522	81,415,244
-	211,744	48,986,848
-	111,012	2,920,321
-	-	725,328
-	1,203	4,396,026
-	-	1,560,141
-	2,545,638	2,545,638
-	13,770	3,198,588
-	-	1,078,083
-	142,866	4,097,909
-	67,289	7,430,696
1,679,193	14,279,874	20,360,942
-	-	67,372
1,001,071	-	1,156,930
-	4,655,280	5,011,548
-	2,825,655	2,968,838
2,680,264	24,854,331	106,505,208
(1,533,630)	(19,276,809)	(25,089,964)
-	10,135	140,135
9,135,298	29,786,734	38,922,032
(130,000)	-	(140,135)
9,005,298	29,796,869	38,922,032
7,471,668	10,520,060	13,832,068
10,474,968	3,299,084	60,704,029
$ 17,946,636	$ 13,819,144	$ 74,536,097

MENIFEE UNION 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		**$ 13,832,068**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation expense in the period.		
Capital outlays	$ 20,092,690	
Depreciation expense	(5,594,156)	
Net Expense Adjustment		14,498,534
In the Statement of Activities, Other Postemployment Benefits (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). 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, amounts contributed toward the OPEB obligation were less than the ARC by $105,165.		105,165
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used were more than amounts earned by $259,597. Vacation used was less than amounts earned by $296		259,301
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 inflows and net pension liability during the year.		(262,288)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Refunding general obligation bonds	(4,230,000)	
Sale of certificates of participation	(25,130,000)	
		(29,360,000)

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

MENIFEE UNION SCHOOL DISTRICT

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

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Premium on issuance		$ (171,240)
Repayment of bond principal 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	$ 4,605,000	
Certificates of participation	356,268	
Combined adjustment		4,961,268
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	67,647	
Amortization of debt discount	(10,829)	
Combined adjustment		56,818
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 and certificates of participation increased by $55,661, and second, $609,708 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(665,369)
Change in Net Position of Governmental Activities		**$ 3,254,257**

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

MENIFEE UNION SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds		
	Debt Service Special Tax Bonds	Associated Student Bodies	Total Agency Funds
ASSETS			
Deposits and investments	$ 17,158,581	$ 70,674	$ 17,229,255
LIABILITIES			
Due to student groups	$ -	$ 70,674	$ 70,674
Due to bond holders	17,158,581	-	17,158,581
Total Liabilities	$ 17,158,581	$ 70,674	$ 17,229,255

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Menifee Union School District (the District) was organized December 7, 1951, 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 grade Transitional K - 8 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, three middle schools, and a preschool.

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

The Menifee Union School District Public Financing Authority (the Authority) is a joint exercise of powers authority organized and existing under laws of the State of California, and Joint Exercise of Powers Agreement. The Authority was formed to issue bonds under the Marks-Roos Local Bond Pooling Act of 1985. The Authority was formed for the purpose of financing school facilities.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established Community Facilities Districts (CFDs) 94-1, 99-1 Zone 1, 2, Improvement Zone A, 2002-1 through 5, 2003-1 through 4, and 2004-2 through 5, 2005-2, 2006-1, 2006-3, 2006-4, and 2011-1 Area 1, 2. Each CFD is a legally constituted governmental entity formed for the purpose of financing special capital projects. The CFDs were authorized, at special elections, to finance school facilities and in certain cases to fund improvements for the benefit of other governmental agencies including a Parks and Recreation District and a Water District.

Financial Presentation

For financial presentation purposes, the Authority and the CFDs financial activity has been blended with the financial data of the District. The financial statements present the construction and acquisition bond proceeds within the Capital Project Fund for Blended Component Units. The debt service reserve fund proceeds are presented in an agency fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

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.

The Fiduciary Funds reporting focuses on net position and changes in net position. The District maintains fiduciary funds that are classified as agency funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District's agency funds include:

Debt Service Special Tax Bonds is an Agency fund used to account for the resources accumulated for the repayment of special tax debt of the Authority and CFDs described under financial reporting entity.

Associated Student Body Fund is an Agency fund used to account for student body activities.

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. 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 segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

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

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

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

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

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

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.

Store Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 dollars. 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 financial statement of net position. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position, except for the net residual amounts due between governmental 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 financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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 on-time expenditures. The policy intends for the District to maintain a minimum fund balance equal to three percent of the District's general fund annual operating expenditures and other financing uses plus two months of general fund annual operating expenditures and other financing uses. If a fund balance drops below five percent, it shall be recovered at a rate of two percent minimally, each year, when financial circumstances permit.

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 $34,928,796 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by $62,387,766. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 75,333,467
Fiduciary funds	17,229,255
Total Deposits and Investments	$ 92,562,722

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

Cash on hand and in banks	$ 10,418,200
Cash in revolving	5,000
Investments	82,139,522
Total Deposits and Investments	$ 92,562,722

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Maturity Date/ Average Maturity In Days
Riverside County Investment Pool	$ 47,038,303	402*
First American Prime Obligation Fund Class Y	18,075,922	42
Money Market - Treasury Obligations	17,029,295	7/1/2015
Total	$ 82,143,520	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the Riverside County Investment Pool have been rated AAA/V1 by Fitch Ratings. The First American Prime Obligation Funds are rated AAA by Moody's Investor Service. Money Market-Treasury Obligations are not rated because they are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does 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 $85,639 was not exposed to custodial credit risk.

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	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	$ 454,337	$ -	$ -	$ 447,117	$ 901,454
State Government					
State principal apportionment	-	-	-	35,245	35,245
Categorical aid	163,958	-	-	-	163,958
Lottery	797,759	-	-	-	797,759
Local Government					
Interest	8,886	3,070	28,199	949	41,104
Other local sources	1,499,363	-	121,051	59	1,620,473
Total	$ 2,924,303	$ 3,070	$ 149,250	$ 483,370	$ 3,559,993

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	$ 39,882,692	$ 11,251	$ -	$ 39,893,943
Construction in process	469,318	20,014,439	-	20,483,757
Total Capital Assets Not Being Depreciated	40,352,010	20,025,690	-	60,377,700
Capital Assets Being Depreciated				
Site improvements	9,073,869	37,062	-	9,110,931
Buildings and improvements	188,012,034	-	507,621	187,504,413
Furniture and equipment	6,343,831	29,938	-	6,373,769
Total Capital Assets Being Depreciated	203,429,734	67,000	507,621	202,989,113
Total Capital Assets	243,781,744	20,092,690	507,621	263,366,813
Less Accumulated Depreciation				
Site improvements	2,846,424	454,419	-	3,300,843
Buildings and improvements	40,327,314	4,885,352	507,621	44,705,045
Furniture and equipment	5,639,852	254,385	-	5,894,237
Total Accumulated Depreciation	48,813,590	5,594,156	507,621	53,900,125
Governmental Activities Capital Assets, Net	$ 194,968,154	$ 14,498,534	$ -	$ 209,466,688

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 5,426,331
Home-to-school transportation	167,825
Total Depreciation Expenses Governmental Activities	$ 5,594,156

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 30,163	$ 30,163
Non-Major Governmental Funds	7,678	-	7,678
Total	$ 7,678	$ 30,163	$ 37,841

A balance of $29,982 is due to the General Fund from the Child Development Non-Major Governmental Fund for temporary loan.

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

Operating Transfers

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

	Transfer From		
Transfer To	General Fund	Capital Projects Fund for Blended Component Units	Total
General Fund	$ -	$ 130,000	$ 130,000
Non-Major Governmental Funds	10,135	-	10,135
Total	$ 10,135	$ 130,000	$ 140,135

The General Fund transferred to the Child Development Non-Major Governmental Fund for contribution to cover costs.	$ 10,135
The Capital Projects Fund for Blended Component Units transferred to the General Fund for reimbursement of costs.	130,000
Total	$ 140,135

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 892,147	$ -	$ 1,410,063	$ 9,254	$ 2,311,464
State principal apportionment	716,265	-	-	-	716,265
Salaries and benefits	180,690	-	-	664	181,354
Construction payables	-	1,015,825	144,365	-	1,160,190
Total	$ 1,789,102	$ 1,015,825	$ 1,554,428	$ 9,918	$ 4,369,273

NOTE 7 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 18,610

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance Beginning of Year	Addition	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 47,655,746	$ 4,839,708	$ 4,605,000	$ 47,890,454	$ 738,720
Premium on issuance	1,225,199	171,240	67,647	1,328,792	-
Discount on issuance	(129,947)	-	(10,829)	(119,118)	-
Certificates of Participation					
2004 Refunding Series	4,634,043	-	356,268	4,277,775	364,375
QZAB	-	25,130,000	-	25,130,000	-
Accumulated vacation	226,926	296	-	227,222	-
Supplemental Early Retirement Program (SERP)	259,597	-	259,597	-	-
Net OPEB Obligation	5,439	80,905	186,070	(99,726)	-
	$ 53,877,003	$ 30,222,149	$ 5,463,753	$ 78,635,399	$ 1,103,095

General Obligation Bonds are paid from the Bond Interest and Redemption fund from tax revenues collected from the property owners within the boundaries of the District. Certificates of Participations and QZAB are paid from the COP Debt Service Fund from resources of the Capital Facilities Fund, including developer fees. The accumulated vacation liability is liquidated in the fund which the employee who earned the vacation is paid from. SERP and OPEB payments are made from the unrestricted resources of the General Fund.

General Obligation Bonds

Series 2002 A

In June 2003, the District issued current interest and capital appreciation bonds, 2002 Election General Obligation Bond, Series A, in the amount of $9,429,203 (accreting to $9,930,000) in order to raise money for modernization, reconstruction, and new construction.

Series 2002 B

In May 2006, the District issued current interest and capital appreciation bonds, 2002 Series B, General Obligation Bonds, in the amount of $5,069,720 (accreting to $5,840,000) in order to raise money for modernization, reconstruction, and new construction.

Series 2008 A

In an election held February 5, 2008, the District voters authorized bonds in the amount of $31,460,000. In August 2008, the District issued General Obligation Bonds, Series A in the amount of $15,730,000, and 50 percent of the authorized amount. The bonds were issued for the purpose of financing the acquisition and construction of new District facilities.

Series 2008 B and C

In February 2009, the District issued General Obligation Bonds, Series B and C in the aggregate amount of $15,730,000. This amount was the remaining amount on the voter authorized amount and exhausts the voter authorized bonds of the February 2008 authorization of $31,460,000. The bonds include current interest bond maturities totaling $7,975,000 with interest rates ranging from 3 percent to 5.25 percent, and capital accretion type bonds with denominational amounts totaling $4,655,000 (maturing to $25.6 million) with accretion rates ranging from 6.8 percent to 10.509 percent. The bonds are issued for the purpose of financing acquisition and construction of new district facilities.

Series 2013 General Obligation Refunding Bonds

In February 2013, the District issued $8,835,000 in 2013 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds 2002 Series A. The Bonds mature February 1, 2028, with interest rates ranging from 1.25 percent to 3 percent.

Series 2014 General Obligation Refunding Bonds

In February 2013, the District issued $4,230,000 in 2014 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds 2002 Series B. The Bonds mature February 1, 2030, with interest rates ranging from 2 percent to 5 percent.

The changes in the District's general obligation refunding bonds during the year consist of the following:

Series	Fiscal Year of Maturities	Interest and Accretion Rates	Original Issue	Bonds/Premium Outstanding Beginning of Year	Accreted Interest or Addition	Redeemed or Amortized	Bonds/Premium and discount Outstanding End of Year	Due in One Year
2002 A	2007-2017	2.37-7.40%	$ 9,429,203	$ 769,697	$ 44,918	$ 225,000	$ 589,615	$ 293,720
2002 B	2008-2030	3.00-4.27%	5,069,720	4,701,448	24,540	4,180,000	545,988	125,000
Premiums on Issuance			-	117,213	-	7,814	109,399	-
2008 A	2013-2034	4.00-5.50%	15,730,000	15,630,000	-	100,000	15,530,000	150,000
Premiums on Issuance			-	213,418	-	11,856	201,562	-
2008 B & C	2011-2040	3.00-10.51%	15,730,000	17,799,601	540,250	100,000	18,239,851	125,000
Premiums on Issuance			-	894,568	-	37,274	857,294	-
2013	2014-2028	1.25-3.00%	8,835,000	8,755,000	-	-	8,755,000	-
Discount on Issuance			-	(129,947)	-	(10,829)	(119,118)	-
2014	2015-2030	2.00-5.00%	4,230,000	-	4,230,000		4,230,000	45,000
Premiums on Issuance			-	171,240	-	10,703	160,537	-
			$ 59,023,923	$ 48,922,238	$ 4,839,708	$ 4,661,818	$ 49,100,128	$ 738,720

Debt Service Requirements to Maturity

Series 2002 A

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2016	$ 293,720	$ 28,177	$ 321,897
2017	295,895	7,208	303,103
Total	$ 589,615	$ 35,385	$ 625,000

Series 2002 B

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2016	$ 125,000	$ 26,059	$ 2,500	$ 153,559
2017	-	27,672	-	27,672
2018	-	29,385	-	29,385
2019	-	31,204	-	31,204
2020	-	33,136	-	33,136
2021-2025	-	199,104	-	199,104
2026-2030	420,988	232,452	-	653,440
Total	$ 545,988	$ 579,012	$ 2,500	$ 1,127,500

Series 2008 A

The bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2016	$ 150,000	$ 838,713	$ 988,713
2017	200,000	831,025	1,031,025
2018	250,000	819,963	1,069,963
2019	300,000	805,525	1,105,525
2020	350,000	788,463	1,138,463
2021-2025	2,825,000	3,567,125	6,392,125
2026-2030	5,080,000	2,512,950	7,592,950
2031-2034	6,375,000	743,188	7,118,188
Total	$ 15,530,000	$ 10,906,952	$ 26,436,952

Series 2008 B and C

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2016	$ 125,000	$ 583,974	$ 529,250	$ 1,238,224
2017	175,000	631,368	524,266	1,330,634
2018	250,000	682,751	516,625	1,449,376
2019	300,000	738,472	505,938	1,544,410
2020	375,000	798,912	491,500	1,665,412
2021-2025	3,100,000	5,097,541	2,113,953	10,311,494
2026-2030	6,475,000	7,605,638	937,172	15,017,810
2031-2035	2,452,224	8,525,359	-	10,977,583
2036-2040	4,987,627	3,496,134	-	8,483,761
Total	$ 18,239,851	$ 28,160,149	$ 5,618,704	$ 52,018,704

Series 2013 Refunding

The bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2016	$ -	$ 226,863	$ 226,863
2017	-	226,863	226,863
2018	435,000	224,144	659,144
2019	500,000	217,675	717,675
2020	555,000	208,375	763,375
2021-2025	3,845,000	804,888	4,649,888
2026-2028	3,420,000	160,050	3,580,050
Total	$ 8,755,000	$ 2,068,858	$ 10,823,858

Series 2014 Refunding

The bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2015	$ 45,000	$ 145,138	$ 190,138
2016	150,000	142,438	292,438
2017	125,000	138,313	263,313
2018	125,000	134,563	259,563
2019	150,000	130,438	280,438
2020-2024	1,095,000	553,763	1,648,763
2026-2030	2,540,000	245,556	2,785,556
Total	$ 4,230,000	$ 1,490,209	$ 5,720,209

Certificates of Participation

In July 2012, the District issued Refunding Certificates of Participation in the amount of $5,139,197. Interest rates on the certificates are 3.15 percent. The certificates mature through 2026.

The certificates are issued to refinance on an advance basis the outstanding 2004 lease obligation of the District and the related certificates of participation.

At June 30, 2015, the principal balance outstanding was $4,277,775.

Fiscal Year	Principal	Interest	Total
2016	$ 364,375	$ 131,928	$ 496,303
2017	378,442	120,355	498,797
2018	391,951	108,308	500,259
2019	405,081	95,875	500,956
2020	417,314	82,995	500,309
2021-2025	2,181,577	207,939	2,389,516
2026	139,035	2,190	141,225
Total	$ 4,277,775	$ 749,590	$ 5,027,365

Qualified Zone Academy Bond

In December 2014, the District issued $25,130,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on June 1, 2031.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $227,222.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $80,687, and contributions made by the District during the year were $185,755. Interest on the net OPEB obligation and adjustments to the annual required contribution were $218 and $315, respectively, which resulted in a decrease to the net OPEB obligation of $105,165. As of June 30, 2015, the net OPEB asset was $99,726. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - NON OBLIGATORY DEBT

Community Facilities Districts (CFDs)

The special tax bonds issued by the Community Facilities District's and the Public Finance Authority (hereinafter referred to as the CFDs) are not obligations of the Menifee Union School District. The bonds, the interest thereon, and any premiums on the redemption of any of the bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the bonds. The bonds are payable from proceeds of Net Special Taxes levied on property within the CFDs according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the CFDs. The bonds are secured only by a first pledge of all revenues derived from the net special taxes and the monies deposited in certain funds held by the fiscal agent under the fiscal agent agreement. Therefore, the bonds are not included in the financial statements.

A summary of the CFDs balances at June 30, 2015, is as follows:

Public Finance Authority	$ 29,100,000
Special Tax Refunding Bonds	
CFD 94-1	9,750,000
CFD 99-1 Zone 1	4,215,000
CFD 99-1 Zone 2	4,780,000
CFD 99-1 Improvement Area A	850,000
CFD 2002-1	4,495,000
CFD 2002-3	3,635,000
CFD 2003-3	2,310,000
Special Tax Bonds	
CFD 2002-2 (Refunded)	6,870,000
CFD 2002-4	1,960,000
CFD 2002-5	5,055,000
CFD 2003-1	1,915,000
CFD 2003-2	9,585,000
CFD 2003-4	2,170,000
CFD 2004-2	3,840,000
CFD 2004-3	3,445,000
CFD 2004-4	2,080,000
CFD 2004-5	3,955,000
CFD 2004-6	3,780,000
CFD 2005-2	4,125,000
CFD 2006-1	6,565,000
CFD 2006-2	3,480,000
CFD 2006-3	1,805,000
CFD 2011-1 Area 1	16,755,000
CFD 2011-1 Area 2	5,800,000
Total	$ 142,320,000

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund
Nonspendable			
Revolving cash	$ 5,000	$ -	$ -
Stores inventories	-	-	-
Total Nonspendable	5,000	-	-
Restricted			
Legally restricted programs	2,248,611	-	-
Capital projects	-	1,499,261	30,221,322
Debt services	-	-	-
Total Restricted	2,248,611	1,499,261	30,221,322
Assigned			
Wireless Technology Project	753,951	-	-
MAA Resource '0010	105,200	-	-
Deferred Maintenance Resource (0851)	208,008	-	-
Instructional Materials Textbooks	141,048	-	-
5% Salary Settlement Retro (Jan - June)	1,312,500	-	-
Donations Resource 0600	69,096	-	-
Library Funds Resource 0602	5,139	-	-
Total Assigned	2,594,942	-	-
Unassigned			
Economic uncertainties	2,217,954	-	-
Remaining unassigned	3,983,227	-	-
Total Unassigned	6,201,181	-	-
Total	$ 11,049,734	$ 1,499,261	$ 30,221,322

Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
$ -	$ -	$ 5,000
-	30,520	30,520
-	30,520	35,520
-	1,323,571	3,572,182
17,946,636	-	49,667,219
-	12,465,053	12,465,053
17,946,636	13,788,624	65,704,454
-	-	753,951
-	-	105,200
-	-	208,008
-	-	141,048
-	-	1,312,500
-	-	69,096
-	-	5,139
-	-	2,594,942
-	-	2,217,954
-	-	3,983,227
-	-	6,201,181
$ 17,946,636	$ 13,819,144	$ 74,536,097

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

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Menifee Union School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 22 retirees and beneficiaries currently receiving benefits, quantify terminated plan members entitled to but not yet receiving benefits,.

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 $185,755 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 80,687
Interest on net OPEB obligation	218
Adjustment to annual required contribution	(315)
Annual OPEB cost (expense)	80,590
Contributions made	(185,755)
Decrease in net OPEB obligation	(105,165)
Net OPEB obligation, beginning of year	5,439
Net OPEB asset, end of year	$ (99,726)

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2013	$ 70,502	$ 54,294	77.01%	$ 2,724
2014	70,740	68,025	96.16%	5,439
2015	80,590	185,755	230.49%	(99,726)

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c) [1]	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 946,940	$ 946,940	0%	$ 1,218,290	78%

[1] No active employees are included in the current plan.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

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 fiscal year ending June 30, 2015, the District contracted with Riverside Schools' Insurance Authority (RSIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the Protected Insurance Program for Schools (PIPS). The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM

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	$ 43,807,701	$ 3,282,543	$ 10,787,563	$ 3,796,692
CalPERS	9,235,131	1,071,092	3,173,294	819,231
Total	$ 53,042,832	$ 4,353,635	$ 13,960,857	$ 4,615,923

The details of each plan are as follows:

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

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $3,282,543.

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	$ 43,807,701
State's proportionate share of the net pension liability associated with the District	26,452,981
Total	$ 70,260,682

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 0.0750 percent.

For the year ended June 30, 2015, the District recognized pension expense of $3,796,692 and revenue of $438,183 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,282,543	$ -
Differences between projected and actual earnings on pension plan investments	-	10,787,563
Total	$ 3,282,543	$ 10,787,563

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,696,891
2017	2,696,891
2018	2,696,891
2019	2,696,890
Total	$ 10,787,563

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 68,284,749
Current discount rate (7.60%)	$ 43,807,701
1% increase (8.60%)	$ 23,398,292

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,071,092.

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 $9,235,131. 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 0.0813 percent.

For the year ended June 30, 2015, the District recognized pension expense of $819,231. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,282,543	$ -
Differences between projected and actual earnings on pension plan investments	-	10,787,563
Total	$ 3,282,543	$ 10,787,563

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,696,891
2017	2,696,891
2018	2,696,891
2019	2,696,890
Total	$ 10,787,563

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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed Income	20%	0.20%
Liquidity	1%	0.00%

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%)	$ 16,200,527
Current discount rate (7.50%)	$ 9,235,131
1% increase (8.50%)	$ 3,414,840

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,845,563 (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.). 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. This amount was reported in both State revenues and Instructional Expenditures within the General Fund. 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 budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

Federal and State Grants

The District received financial assistance from Federal and State agencies in the form of grants for categorical and construction. 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.

NOTE 15 - PARTICIPATION IN JOINT POWER AUTHORITIES

The District is a member of the Riverside Schools Insurance Authority (RSIA), Self Insurance Schools' of California III (SISC III), and the Protected Insurance Program for Schools (PIPS) joint powers authorities (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the governing board of the Insurance Authority.

During the year ended June 30, 2015, the District made payments of $391,425 to Riverside Schools' Insurance Authority, $1,091,370 to Protected Insurance Program for Schools, and $6,173,156 to Self Insurance Schools' of California III for insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Statement of Net Position	
Net Position - Beginning	$ 201,042,810
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(66,119,542)
Inclusion of deferred outflow of resources from the adoption of GASB Statement No. 68	3,731,776
Net Position - Beginning as Restated	$ 138,655,044

REQUIRED SUPPLEMENTARY INFORMATION

MENIFEE UNION SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 60,207,180	$ 60,191,667	$ 60,303,338	$ 111,671
Federal sources	2,715,949	3,094,773	3,129,347	34,574
Other State sources	2,239,040	3,648,561	5,622,506	1,973,945
Other local sources	4,448,017	4,919,532	5,599,711	680,179
Total Revenues [1]	69,610,186	71,854,533	74,654,902	2,800,369
EXPENDITURES				
Current				
Certificated salaries	37,599,668	37,334,156	37,285,221	48,935
Classified salaries	10,675,602	10,629,385	10,662,481	(33,096)
Employee benefits	13,087,947	12,998,830	14,557,023	(1,558,193)
Books and supplies	3,409,817	3,747,454	3,119,194	628,260
Services and operating expenditures	8,885,116	9,761,098	8,221,710	1,539,388
Other outgo	(30,544)	(23,047)	46,099	(69,146)
Capital outlay	101,400	60,900	29,938	30,962
Total Expenditures [1]	73,729,006	74,508,776	73,921,666	587,110
Excess (Deficiency) of Revenues Over Expenditures	(4,118,820)	(2,654,243)	733,236	3,387,479
Other Financing Sources (Uses)				
Transfers in	75,000	-	130,000	130,000
Transfers out	(14,987)	(12,007)	(10,135)	1,872
Net Financing Sources (Uses)	60,013	(12,007)	119,865	131,872
NET CHANGE IN FUND BALANCE	(4,058,807)	(2,666,250)	853,101	3,519,351
Fund Balance - Beginning	10,196,633	10,196,633	10,196,633	-
Fund Balance - Ending	$ 6,137,826	$ 7,530,383	$ 11,049,734	$ 3,519,351

[1] On behalf payments of $1,845,563 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

MENIFEE UNION 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) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c) [1]	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 946,940	$ 946,940	0%	$ 1,218,290	78%

[1] No active employees are included in the current plan.

MENIFEE UNION SCHOOL DISTRICT

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

	2015
CalSTRS	
District's proportion of the net pension liability (asset)	0.0750%
District's proportionate share of the net pension liability (asset)	$ 43,807,701
State's proportionate share of the net pension liability (asset) associated with the District	26,452,981
Total	$ 70,260,682
District's covered - employee payroll	$ 33,321,674
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	131.47%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.0813%
District's proportionate share of the net pension liability (asset)	$ 9,235,131
District's covered - employee payroll	$ 8,297,408
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	111.30%
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.

MENIFEE UNION SCHOOL DISTRICT

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

	2015
CalSTRS	
Contractually required contribution	$ 3,282,543
Contributions in relation to the contractually required contribution	(3,282,543)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 36,965,574
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 1,071,092
Contributions in relation to the contractually required contribution	(1,071,092)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 9,099,414
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

MENIFEE UNION SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 1,460,783
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	1,497
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	48,591
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	118,748
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	48,630
Preschool Staff Development, Part B, Section 619	84.173A	13431	517
Total Special Education (IDEA) Cluster			1,678,766
Passed through California Department of Education			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected-Reallocation Funds	84.010	14981	900,997
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	96,088
Title III Grants Cluster:			
Title III - Immigrant Education Program	84.365	15146	10,336
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	116,739
Total Title III Grants Cluster			127,075
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	864
Total U.S. Department of Education			2,803,790
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	272,056
National School Lunch Program	10.555	13524	1,364,324
Food Distribution	10.555	13524	98,914
Total Child Nutrition Cluster			1,735,294
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	308,119
Medical Administrative Activities Program	93.778	10060	7,721
Total U.S. Department of Health and Human Services			315,840
Total Federal Programs			**$ 4,854,924**

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Menifee Union School District (the District) was established on December 7, 1951, and consists of an area comprising approximately 56 square miles. The District operates nine elementary schools, three middle schools, and a preschool. There were no boundary changes during this year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Robert O'Donnell	President	2015
Jerry Bowman	Vice President	2017
Reg Bennet	Clerk	2015
Randall T. Freeman, PhD	Deputy Clerk	2017
Ron Ulibarri	Member	2017

ADMINISTRATION

Steve Kennedy, Ed.D.	Superintendent
Pam Lauzon	Assistant Superintendent, Business Services
Cindy Woods	Assistant Superintendent, Personnel Services
Karen Valdes, Ed.D.	Assistant Superintendent, Curriculum and Instruction
Pam Gillette	Director of Fiscal Services

See accompanying note to supplementary information.

MENIFEE UNION 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	4,242.01	4,252.15
Fourth through sixth	2,948.22	2,947.03
Seventh and eighth	1,899.71	1,902.06
Total Regular ADA	9,089.94	9,101.24
Extended Year Special Education		
Transitional kindergarten through third	3.94	3.94
Fourth through sixth	2.14	2.14
Seventh and eighth	0.91	0.91
Total Extended Year Special Education	6.99	6.99
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.15	0.88
Fourth through sixth	6.51	4.97
Seventh and eighth	2.52	1.92
Total Special Education, Nonpublic, Nonsectarian Schools	10.18	7.77
Total ADA	9,107.11	9,116.00

See accompanying note to supplementary information.

MENIFEE UNION 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	38,700	177	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			53,248	177	N/A	Complied
Grade 2			53,248	177	N/A	Complied
Grade 3			55,008	177	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,008	177	N/A	Complied
Grade 5			55,008	177	N/A	Complied
Grade 6			57,314	177	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			57,314	177	N/A	Complied
Grade 8			57,314	177	N/A	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 required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

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

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 79,860,939	$ 74,654,902	$ 67,030,201	$ 60,092,453
Other sources	-	130,000	210,374	199,818
Total Revenues and Other Sources	79,860,939	74,784,902	67,240,575	60,292,271
Expenditures	76,985,694	72,076,103	67,007,198	62,393,941
Other uses and transfers out	24,784	10,135	107,297	95,487
Total Expenditures and Other Uses	77,010,478	72,086,238	67,114,495	62,489,428
INCREASE (DECREASE) IN FUND BALANCE	$ 2,850,461	$ 2,698,664	$ 126,080	$ (2,197,157)
ENDING FUND BALANCE	$ 15,745,758	$ 12,895,297	$ 10,196,633	$ 10,070,553
AVAILABLE RESERVES [2]	$ 3,484,097	$ 6,201,181	$ 5,755,822	$ 3,164,265
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	4.52%	8.60%	8.80%	5.21%
LONG-TERM OBLIGATIONS	N/A	$ 78,474,862	$ 53,877,003	$ 53,796,078
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,117	9,107	8,894	8,572

The General Fund balance has increased by $2,824,744 over the past three years. The fiscal year 2015-2016 budget projects a further increase of $2,850,461 (25.80 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $24,678,784 over the past two years.

Average daily attendance has increased by 535 over the past two years. Additional growth of 10 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 uncertainty contained within the General Fund.
[3] On behalf payments of $1,845,563, $1,746,535, and $1,714,351, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

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

Name of Charter School	Included in Audit Report
Santa Rosa Charter School	No

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 30,786	$ 841,818	$ 2,117,527
Receivables	47	483,323	-
Due from other funds	-	7,678	-
Stores inventories	-	30,520	-
Total Assets	$ 30,833	$ 1,363,339	$ 2,117,527
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 787	$ 9,131	$ -
Due to other funds	30,046	117	-
Total Liabilities	30,833	9,248	-
Fund Balances:			
Nonspendable	-	30,520	-
Restricted	-	1,323,571	2,117,527
Total Fund Balances	-	1,354,091	2,117,527
Total Liabilities and Fund Balances	$ 30,833	$ 1,363,339	$ 2,117,527

See accompanying note to supplementary information.

	COP Debt Service Fund	Total Non-Major Governmental Funds
	$ 10,347,526	$ 13,337,657
	-	483,370
	-	7,678
	-	30,520
	$ 10,347,526	$ 13,859,225
	$ -	$ 9,918
	-	30,163
	-	40,081
	-	30,520
	10,347,526	13,788,624
	10,347,526	13,819,144
	$ 10,347,526	$ 13,859,225

MENIFEE UNION 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	Cafeteria Fund	Bond Interest and Redemption Fund
REVENUES			
Federal sources	$ -	$ 1,735,293	$ -
Other State sources	330,659	134,420	33,181
Other local sources	130	770,698	2,573,141
Total Revenues	330,789	2,640,411	2,606,322
EXPENDITURES			
Current			
Instruction	211,744	-	-
Instruction-related activities:			
Supervision of instruction	111,012	-	-
School site administration	1,203	-	-
Pupil services:			
Food services	-	2,545,638	-
All other pupil services	13,770	-	-
General administration:			
All other general administration	-	142,866	-
Plant services	3,195	64,094	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	4,655,280
Interest and other	-	-	2,071,755
Total Expenditures	340,924	2,752,598	6,727,035
Excess (Deficiency) of Revenues Over Expenditures	(10,135)	(112,187)	(4,120,713)
Other Financing Sources			
Transfers in	10,135	-	-
Other sources	-	-	4,405,434
Net Financing Sources	10,135	-	4,405,434
NET CHANGE IN FUND BALANCES	-	(112,187)	284,721
Fund Balances - Beginning	-	1,466,278	1,832,806
Fund Balances - Ending	$ -	$ 1,354,091	$ 2,117,527

See accompanying note to supplementary information.

COP Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ 1,735,293
-	498,260
-	3,343,969
-	5,577,522
-	211,744
-	111,012
-	1,203
-	2,545,638
-	13,770
-	142,866
-	67,289
14,279,874	14,279,874
-	4,655,280
753,900	2,825,655
15,033,774	24,854,331
(15,033,774)	(19,276,809)
-	10,135
25,381,300	29,786,734
25,381,300	29,796,869
10,347,526	10,520,060
-	3,299,084
$ 10,347,526	$ 13,819,144

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 primarily of (Medi-Cal Billing Option Program and Med-Cal Administrative Activities) funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 4,864,640
Medi-Cal Billing Option	93.778	87,589
Medi-Cal Administrative Activities Program	93.778	(97,305)
Total Schedule of Expenditures of Federal Awards		$ 4,854,924

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 administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Menifee Union School District
Menifee, 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, and each major fund, of Menifee Union 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 Menifee Union 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 16 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 Menifee Union 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 Menifee Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Menifee Union 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 Menifee Union 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*.

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
Menifee Union School District
Menifee, California

Report on Compliance for Each Major Federal Program

We have audited Menifee Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Menifee Union School District's (the District) major Federal programs for the year ended June 30, 2015. Menifee Union 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 Menifee Union 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 Menifee Union 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 Menifee Union School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Menifee Union 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 Menifee Union 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 Menifee Union 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 Menifee Union 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

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Menifee Union School District
Menifee, California

Report on State Compliance

We have audited Menifee Union School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a direct and material effect on each of the Menifee Union 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 Menifee Union 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 Menifee Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Menifee Union School District's compliance with those requirements.

Unmodified Opinion

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

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Menifee Union 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	No, See Below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, See Below
Adult Education Maintenance of Effort	No, See Below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, See Below
After School	No, See Below
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

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

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

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

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

The District does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer a Regional Occupational Program; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer an Adult Education Program; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

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

MENIFEE UNION 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, and 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
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.

MENIFEE UNION SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's schedule of financial statement findings.