

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2015

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
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 FOR THE YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Garden Grove Unified School District  
Garden Grove, 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 Garden Grove Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Garden Grove Unified School 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. 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 entity'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 entity'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.

Christy White, CPA

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

### ***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 Garden Grove Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As described in Note 1 to the financial statements, in 2015 Garden Grove Unified School District adopted new accounting guidance, Governmental Accounting Standards Board 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, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Garden Grove Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of Garden Grove Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Garden Grove Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 14, 2015

# GARDEN GROVE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of Garden Grove Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position decreased 29.26% over 2013-2014, after restatement (Table 1).
- Overall revenues were \$646.2 million, \$159.2 million more than expenses (Table 2).
- The net cost of basic programs decreased 15.93% to \$236.7 million (Table 3).
- The District invested \$50,345 in five (5) copiers at five (5) sites.
- Transportation GPS system additions cost \$17,110.
- Warehouse purchases included a commercial washer in the amount of \$22,828.
- A Radio Security System was purchased at a cost of \$66,105 as part of the Risk Management program.
- The District invested the following in Information Technology purchases and improvements:
  - o District-wide Virtual Desk Interface (VDI) project - \$582,201
  - o Data Center air conditioning and generator - \$461,130. Of this \$12,744 was an E-Rate donation.
  - o Video surveillance project - \$172,254. Of this \$16,010 was an E-Rate donation.
  - o Audio visual replacement project - \$167,652
  - o Firewall security - \$547,721
  - o Data storage - \$61,685
  - o System server - \$31,590
  - o Cisco Show and Share System - \$42,551. Of this \$30,343 was an E-Rate donation.
- Purchases for Food Services included the following capitalized items:
  - o Three (3) refrigerated trucks - \$280,358
  - o Two (2) stainless steel sinks - \$29,115
  - o One (1) oven - \$9,402
- Maintenance and Operations (M&O) equipment purchases and improvements include:
  - o Fifteen (15) pick-up trucks - \$462,771
  - o Two (2) tractors - \$190,457
  - o Two (2) dump trucks - \$169,017
  - o Gardening equipment, chipper and stump grinder - \$57,721
  - o One (1) CNG compressor - \$36,921
  - o Asphalt repair equipment - \$43,910
  - o M&O parking lot project - \$187,858
  - o Roof repairs at four (4) school sites - \$301,560
  - o Heating Ventilation Air Conditioning (HVAC) projects at eight (8) school sites - \$11,947,348
  - o Beautification projects at seven (7) school sites - \$338,351
  - o One (1) ROP Culinary Arts project at Rancho Alamitos High School - \$205,703
  - o Cabling projects completed at three (3) sites totaled \$70,985. Of this \$63,177 was an E-Rate donation.
  - o Fire restoration project at Bolsa Grande High School - \$39,223



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL HIGHLIGHTS (continued)**

- Maintenance and Operations (M&O) equipment purchases and improvements include (continued):
  - o Block wall fencing was installed at one (1) intermediate school site - \$24,950
  - o Cafeteria tables and benches were installed at six (6) school sites - \$212,736
  - o Stadium bleachers at one (1) high school were painted - \$24,840
  - o One (1) scoreboard was installed at one (1) high school - \$19,954
  - o One (1) playground structure was installed at one (1) school site - \$17,017
- Facilities Projects include:
  - o Work in Progress for modernization work totaling \$104.4 million for work at fifty eight (58) sites. The work order system captured \$336,082 of these costs.
  - o Completed modernization projects at twenty one (21) sites totaled \$80.8 million
  - o Interim housing costs totaled \$344,587
  - o Improvements to existing portables at various school sites totaled \$234,267
  - o Second floor renovation - \$187,203
  - o District office door retrofit to include panic hardware - \$20,880

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short- and long-term financial information about the District's self-insurance funds.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

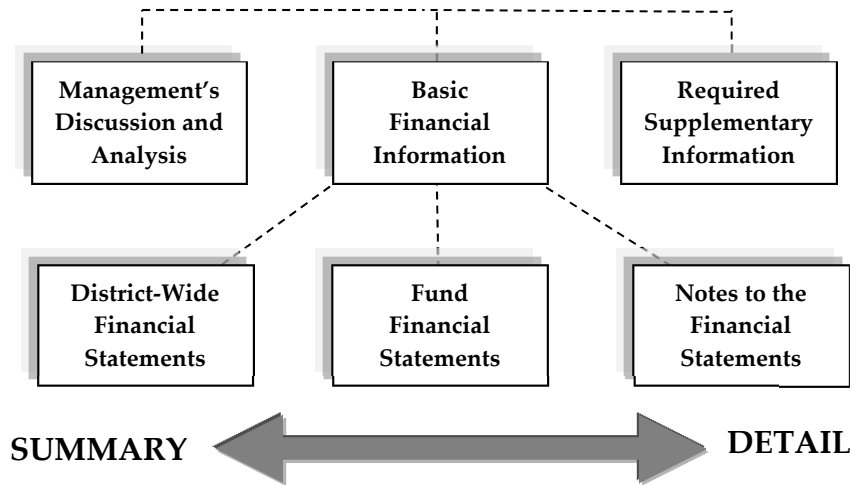
GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015

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OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Components of the Financials Section

Figure A-1. Organization of Garden Grove Unified School District's Annual Financial Report



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

Type of Statements	District-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: self-insurance fund	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital; short-term and long-term	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain nonfinancial assets, although, they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (*continued*)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District's activities are represented in the district-wide financial statements.

- *Governmental activities* – All of the District's basic services are included, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues (such as federal grants).

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**The District has three kinds of funds:**

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the end of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported similar to the district-wide statements.
  - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position.** The District's net position as of June 30, 2015 was \$514.6 million reflecting a decrease of 29.26% since June 30, 2014, after restatement. (See Table 1)

	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 719,275,027	\$ 659,393,849	9.08%
Capital assets	576,607,947	463,304,124	24.46%
<b>Total Assets</b>	<b>1,295,882,974</b>	<b>1,122,697,973</b>	<b>15.43%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>25,982,315</b>	<b>-</b>	<b>100.00%</b>
<b>LIABILITIES</b>			
Current liabilities	77,244,586	67,404,840	14.60%
Long-term liabilities	646,576,597	327,874,070	97.20%
<b>Total Liabilities</b>	<b>723,821,183</b>	<b>395,278,910</b>	<b>83.12%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>83,488,345</b>	<b>-</b>	<b>100.00%</b>
<b>NET POSITION</b>			
Net investment in capital assets	466,580,212	392,561,142	18.86%
Restricted	148,631,320	82,164,901	80.89%
Unrestricted	(100,655,771)	252,693,020	-139.83%
<b>Total Net Position</b>	<b>\$ 514,555,761</b>	<b>\$ 727,419,063</b>	<b>-29.26%</b>

The District's financial position is the product of many factors including funding under the Local Control Funding Formula (LCFF) and the receipt of state modernization funds for our capital improvement projects. It is also impacted by GASB 68 as explained in the section titled Economic Factors and Next Year's Budget (page 20).

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in net position.** The District's total revenues increased 29.99% to \$646,243,647. (See Table 2) Property taxes and state formula aid accounted for most of the District's revenue, contributing about 59.92% of every dollar raised. (See Figure A-3.) Another 37.79% came from operating and capital grants and contributions, and the remainder came from miscellaneous sources and fees charged for services.

The total cost of all programs and services increased 12.23% to \$487,065,694. The District's expenses are predominantly related to educating and caring for students (81.54%). (See Figure A-4.) The purely administrative activities of the District accounted for 3.47% of total costs.

Total revenues surpassed expenses by \$159,177,953.

**Table 2  
Governmental Activities**

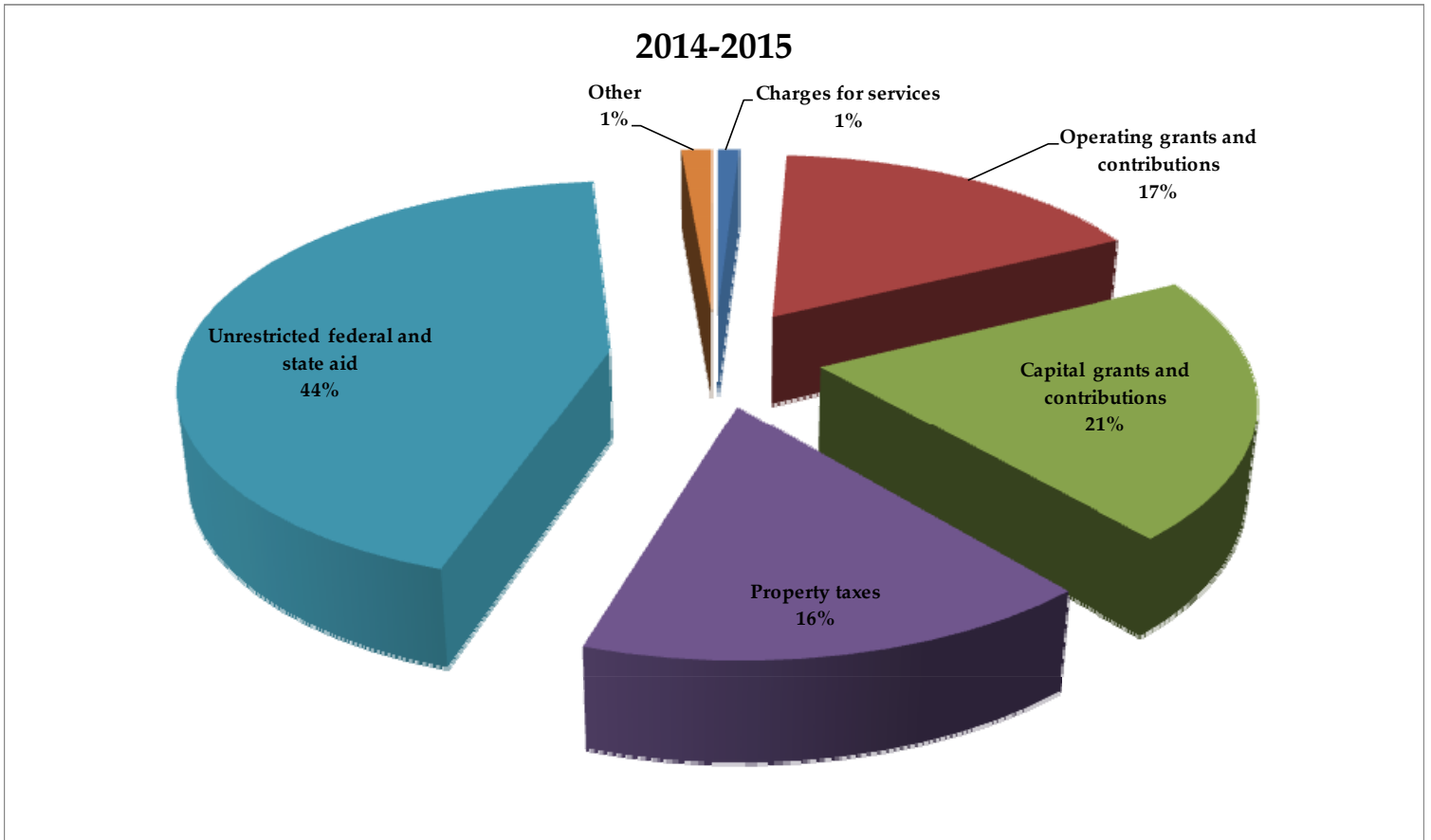
	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 6,156,599	\$ 6,402,353	-3.84%
Operating grants and contributions	108,713,061	101,660,339	6.94%
Capital grants and contributions	135,493,803	44,382,343	205.29%
General revenues			
Property taxes	104,365,602	96,634,324	8.00%
Unrestricted federal and state aid	282,836,514	242,006,840	16.87%
Other	8,678,068	6,058,166	43.25%
<b>Total Revenues</b>	<b>646,243,647</b>	<b>497,144,365</b>	<b>29.99%</b>
<b>EXPENSES</b>			
Instruction	293,840,421	257,753,069	14.00%
Instruction-related services	45,449,883	41,085,682	10.62%
Pupil services	57,841,586	53,241,301	8.64%
General administration	16,909,829	13,019,540	29.88%
Plant services	43,773,607	42,584,250	2.79%
Ancillary and community services	10,005,331	8,762,485	14.18%
Debt service	14,233,495	11,612,551	22.57%
Other Outgo	4,906,118	5,910,614	-16.99%
Other	105,424	18,953	456.24%
<b>Total Expenses</b>	<b>487,065,694</b>	<b>433,988,445</b>	<b>12.23%</b>
<b>Change in net position</b>	<b>159,177,953</b>	<b>63,155,920</b>	<b>152.04%</b>
<b>Net Position - Beginning, as Restated</b>	<b>355,377,808</b>	<b>664,263,143</b>	<b>-46.50%</b>
<b>Net Position - Ending</b>	<b>\$ 514,555,761</b>	<b>\$ 727,419,063</b>	<b>-29.26%</b>

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015

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FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Figure A-3  
Sources of Garden Grove Unified School District's Revenues for Fiscal Year 2015



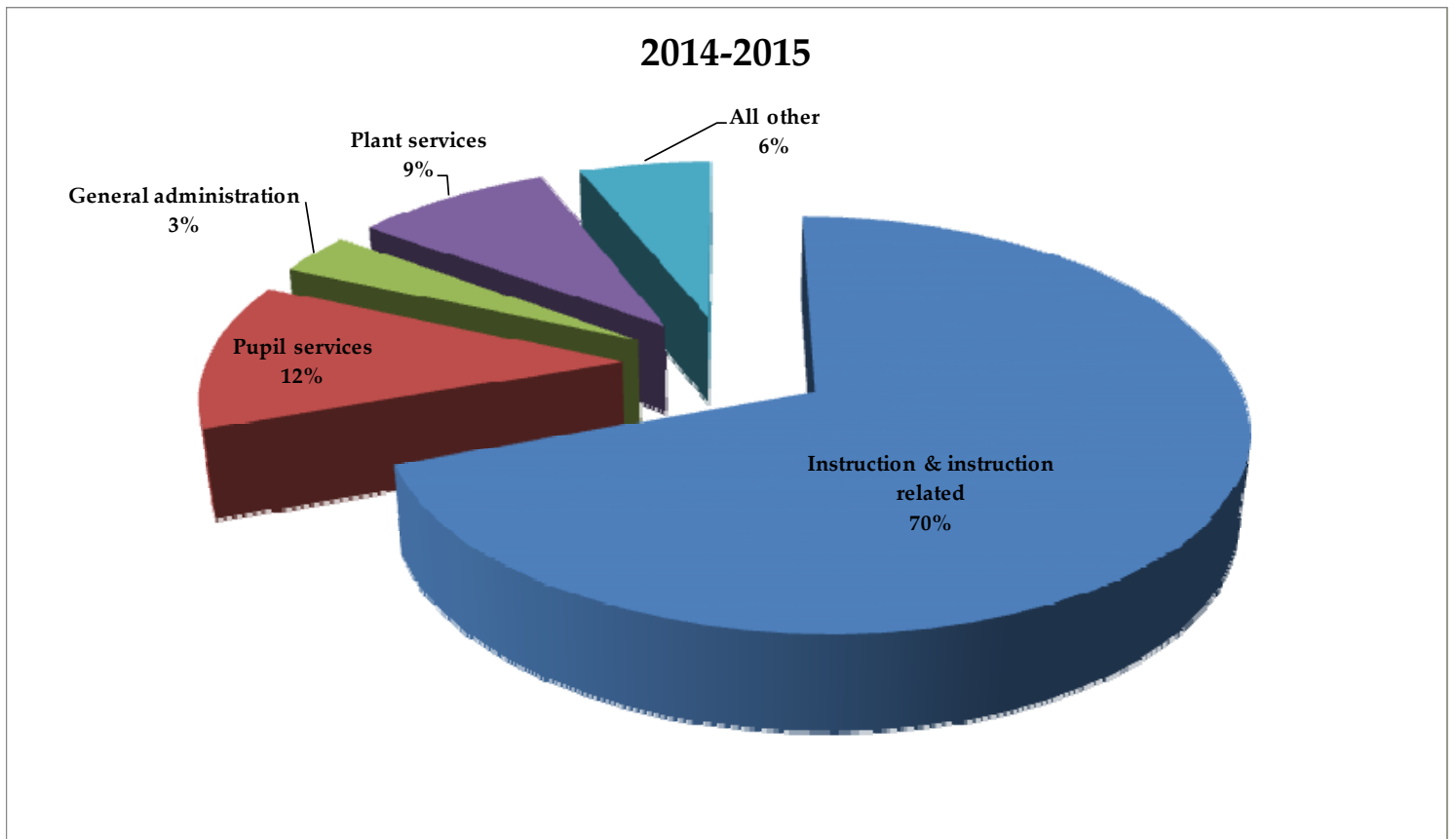


GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015

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FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Figure A-4  
Sources of Garden Grove Unified School District's Expenses for Fiscal Year 2015



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Governmental Activities**

Revenues for the District's governmental activities increased 29.99%, and total expenses increased 12.23%. The net position decreased 29.26% in 2014-2015, after restatement, compared to an increase of 9.24% last year.

The District's financial health can be credited to the following management actions:

- Conservative District philosophy, fiscal management and cash flow management.
- The District maintains a highly centralized budgeting approach that allows for tight controls at the administrative level.
- Position control procedures require budget allocation and approval prior to creation of new positions insuring that communication is maintained between the Business Office and the Personnel Office.
- Class sizes are monitored closely in all grades to assure that teacher-student ratios are optimum.
- The Business Office annually prepares a 2-year budget projection allowing decisions to be made in advance of anticipated budget changes.
- Expenditures are analyzed for appropriateness to maximize instructional effectiveness.

The Statement of Activities categorizes the activities presented in Table 2 by revenue source:

- The total cost of all governmental activities this year was \$487.1 million.
- The amount of \$6.2 million was paid by the users of the District's programs.
- The federal and state governments subsidized programs with grants and contributions totaling \$108.7 million.
- State Modernization Program further added \$135.5 toward the cost of all activities.
- District taxpayers and the taxpayers of California paid \$387.2 million, supporting the majority of the District's costs.
- Local and miscellaneous revenues account for \$8.7 million.
- Net position increased \$159.2 million in 2014-15 before restatement.

Table 3 shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Governmental Activities (continued)**

**Table 3  
Net Cost of Services**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
Instruction	\$ 102,730,836	\$ 161,955,895	-36.57%
Instruction-related services	35,254,658	31,636,431	11.44%
Pupil services	29,646,549	24,731,224	19.87%
General administration	14,498,620	10,407,039	39.32%
Plant services	38,196,569	38,236,363	-0.10%
Ancillary and community services	2,362,458	2,151,977	9.78%
Debt service	14,233,495	11,612,551	22.57%
Transfers to other agencies	(315,818)	792,977	-139.83%
Other	94,864	18,953	400.52%
<b>Total Expenses</b>	<b>\$ 236,702,231</b>	<b>\$ 281,543,410</b>	<b>-15.93%</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, the governmental funds reflected a combined fund balance amount of \$441.0 million, compared to last year's fund balance amount of \$407.1 million.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Major budget amendments between the Preliminary Budget and the Final Budget are explained below.

Over the course of the year, the Board approved five versions of the operating budget. These budget revisions fall into the categories of Preliminary, Adopted, First Interim, Second Interim and Final. At each reporting period the Board approved the budget revisions and appropriation transfers that were presented.

Federal revenues increased overall by \$4.6 million. Budgetary increases were primarily made in Title I Part A of the Elementary and Secondary (ESEA), Title II Part A, Improving Teacher and Principal Quality - Prior Year, Mental Health Average Daily Attendance (ADA) grant, Special Education IDEA Basic Local Assistance, Medi-Cal and Project Cal-Well grant.

There were no significant decreases in federal revenues.

State revenue increased overall by \$18 million. Budgetary increases were mainly made in Mandated Costs Reimbursement, the California Clean Energy Jobs Act (Prop. 39), Lottery, and STRS On-Behalf.

There were no significant decreases in state revenues.

Overall local revenues increased by \$4.8 million. Increases include Donations & Gifts, Regional Occupation Program (ROP)/Career Technical Education, and Supplemental Education Services (SES) Tutoring.

Major budget amendments in expenditures include a 6% negotiated salary settlement and changes in staff due to actual enrollment, along with categorical and Special Education staffing. Employee benefits changed based on salary adjustments and changes in health premium rates, and the STRS On-Behalf payment was included. Books, supplies and services were adjusted as necessary to meet program and educational requirements. Capital outlay budgets increased in information technology, transportation, and equipment related to the MOT Priority Study Year One results. Budget was also increased for asphalt replacement necessary throughout the district.

As shown on page 71, the District's Final Budget for the general fund shows anticipated revenues and transfers-in to be approximately \$38.4 million less than expenditures and transfers-out; and the actual results for the year show a \$9.4 million increase.

Instructional and instruction-related functions were budgeted at \$357.6 million, however, expenditures were actually \$331.6 million, primarily due to unspent categorical budgets and unrestricted educational programs. Also, several programs such as Title I, Title II, Title III, and Site Local Control Funding Formula (LCFF) hold amounts in contingency until necessary and the amounts are then carried over if unused. Contingency amounts totaling \$8.3 million have an instruction-related designation until allocated for actual use.

Pupil service categories were budgeted at \$45.4 million and actual amounts were \$36.2 million. Pupil service function includes the categories of Guidance, Psychological, Attendance/Social Welfare, Health, Pupil Testing, Speech/Pathology, and Transportation. Unspent amounts in this category were \$9.2 million, and relate primarily to contingency amounts in funding for Medi-Cal and Mental Health.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**GENERAL FUND BUDGETARY HIGHLIGHTS (continued)**

General administrative costs were budgeted at \$23.3 million; actual expenditures were \$16.2 million. The unspent administrative cost balances include retiree health and welfare costs that were allocated to other functions as appropriate at year-end.

Maintenance and operations of school facilities were budgeted at \$51.2 million; actual expenditures were \$44.2 million, which primarily consisted of savings due to vacant positions and utility costs. The amount also included equipment related to the MOT Priority Study Year One results that were budgeted in 2014-2015 but expenditures are to occur in 2015-2016.

Budgeted facility acquisition and construction dollars were \$11.2 million; actual expenditures were \$4.4 million. These amounts include projects that were budgeted in 2014-2015 and are to be continued in 2015-2016. These projects include the California Clean Energy Jobs Act (Prop. 39), the costs for Heritage Early Childhood Education Center (ECEC) program, and property loss due to the fire at Bolsa Grande High School.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014-15 the District had invested an additional net \$113.3 million in a broad range of capital assets which include land improvements, building construction, work in progress, and equipment. (See Table 4.) This represents a net increase of 24.46% over last year's amount of \$463.3. (More detailed information about capital assets can be found in Note 1E and Note 4 to the financial statements.) The net depreciation expense for the year was \$9.5 million.

Garden Grove Unified School District's student enrollment decreased from 47,296 in 2013-2014 to 45,577 in 2014-2015. Annual trends indicate that statewide enrollment is expected to continue to decline in future years.

**Table 4  
Governmental Activities**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 228,184,670	\$ 228,184,670	0.00%
Construction in progress	130,301,212	105,732,024	23.24%
Land improvements	14,215,544	13,940,924	1.97%
Buildings & improvements	319,536,489	224,062,206	42.61%
Furniture & equipment	34,151,390	31,821,959	7.32%
Accumulated depreciation	(149,781,358)	(140,437,659)	6.65%
<b>Total Capital Assets</b>	<b>\$ 576,607,947</b>	<b>\$ 463,304,124</b>	<b>24.46%</b>

In 2015-2016, General Fund has budgeted \$4,866,351 for capital projects. The District continues to focus on modernizing facilities.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Liabilities**

At year-end the District had \$646.6 million in long-term liabilities, an increase of 97.20% from last year, as shown in Table 5. (More detailed information about the District's long-term liabilities is presented in Note 1E and Note 8 to the financial statements.)

On June 8, 2010 the voters of the District approved by more than 55% Measure A which authorizes \$250 million in general obligation bonds for the modernization of district schools. Under state law, the bond money can only be used for acquiring, constructing, or improving school facilities, and furniture and equipment. Bond funds will be deposited into a special account held and monitored by the Orange County Treasurer to ensure proper fund allocation, and are subject to independent annual financial and performance audits open to public scrutiny. Also, a Citizen's Oversight Committee has been established to assure the appropriate expenditure of Measure A funds. As of June 30, 2015, \$250 million in General Obligation Bonds have been issued.

The use of Measure A funds for teacher and administrator salaries or operating expenses unrelated to bond measure projects is strictly prohibited.

**Table 5  
Governmental Activities**

	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 254,194,909	\$ 255,381,567	-0.46%
State school building loans	30,000	45,000	-33.33%
Capital leases	179,843	247,774	-27.42%
Compensated absences	2,889,331	2,677,270	7.92%
Net OPEB obligation	77,052,560	70,605,390	9.13%
Net pension liability	316,235,331	-	100.00%
Less: current portion of long-term debt	(4,005,377)	(1,082,931)	269.86%
<b>Total Long-term Liabilities</b>	<b>\$ 646,576,597</b>	<b>\$ 327,874,070</b>	<b>97.20%</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring includes: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Financial Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2015-16 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Nancy Mefford, Executive Director of Business Services, Garden Grove Unified School District, 10331 Stanford Avenue; Garden Grove, California 92840.



**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 700,594,214
Accounts receivable	17,744,818
Inventory	935,995
Capital assets, not depreciated	358,485,882
Capital assets, net of accumulated depreciation	218,122,065
<b>Total Assets</b>	<b>1,295,882,974</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	25,982,315
<b>Total Deferred Outflows of Resources</b>	<b>25,982,315</b>
<b>LIABILITIES</b>	
Accrued liabilities	56,131,754
Unearned revenue	3,426,260
Claims liabilities	13,681,195
Long-term liabilities, current portion	4,005,377
Long-term liabilities, non-current portion	646,576,597
<b>Total Liabilities</b>	<b>723,821,183</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	83,488,345
<b>Total Deferred Inflows of Resources</b>	<b>83,488,345</b>
<b>NET POSITION</b>	
Net investment in capital assets	466,580,212
Restricted:	
Capital projects	119,833,451
Debt service	4,925,351
Educational programs	11,182,205
All others	12,690,313
Unrestricted	(100,655,771)
<b>Total Net Position</b>	<b>\$ 514,555,761</b>

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 293,840,421	\$ 181,924	\$ 55,433,858	\$ 135,493,803	\$ (102,730,836)
Instruction-related services					
Instructional supervision and administration	16,216,024	139,339	8,529,138	-	(7,547,547)
Instructional library, media, and technology	2,148,797	7,643	345,024	-	(1,796,130)
School site administration	27,085,062	3,441	1,170,640	-	(25,910,981)
Pupil services					
Home-to-school transportation	12,827,856	-	-	-	(12,827,856)
Food services	21,317,968	2,234,278	19,846,783	-	763,093
All other pupil services	23,695,762	49,643	6,064,333	-	(17,581,786)
General administration					
Centralized data processing	4,749,157	-	-	-	(4,749,157)
All other general administration	12,160,672	84,205	2,327,004	-	(9,749,463)
Plant services	43,773,607	2,689,014	2,888,024	-	(38,196,569)
Ancillary services	9,718,845	-	7,642,873	-	(2,075,972)
Community services	286,486	-	-	-	(286,486)
Enterprise activities	105,424	-	10,560	-	(94,864)
Interest on long-term debt	14,233,495	-	-	-	(14,233,495)
Other Outgo	4,906,118	767,112	4,454,824	-	315,818
<b>Total Governmental Activities</b>	<b>\$ 487,065,694</b>	<b>\$ 6,156,599</b>	<b>\$ 108,713,061</b>	<b>\$ 135,493,803</b>	<b>(236,702,231)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes 89,252,470					
Property taxes, levied for debt service 9,903,546					
Property taxes, levied for other specific purposes 5,209,586					
Federal and state aid not restricted for specific purposes 282,836,514					
Interest and investment earnings 1,379,390					
Miscellaneous 7,298,678					
<b>Subtotal, General Revenue 395,880,184</b>					
<b>CHANGE IN NET POSITION 159,177,953</b>					
<b>Net Position - Beginning, as Restated 355,377,808</b>					
<b>Net Position - Ending \$ 514,555,761</b>					

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 118,541,313	\$ 142,535,474	\$ 47,300,513	\$ 121,226,828	\$ 17,328,008	\$ 27,050,985	\$ 473,983,121
Accounts receivable	11,439,515	47,788	254,297	41,885	6,450	5,824,914	17,614,849
Due from other funds	3,469,353	12,638,715	-	5,998,780	-	2,491,912	24,598,760
Stores inventory	511,421	-	-	-	-	424,574	935,995
<b>Total Assets</b>	<b>\$ 133,961,602</b>	<b>\$ 155,221,977</b>	<b>\$ 47,554,810</b>	<b>\$ 127,267,493</b>	<b>\$ 17,334,458</b>	<b>\$ 35,792,385</b>	<b>\$ 517,132,725</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 29,740,952	\$ 10,506,160	\$ 150,908	\$ 3,459,783	\$ 951	\$ 2,752,960	\$ 46,611,714
Due to other funds	4,941,411	1,687,861	13,337,830	3,974,259	-	2,156,898	26,098,259
Unearned revenue	3,212,618	-	-	-	-	213,642	3,426,260
<b>Total Liabilities</b>	<b>37,894,981</b>	<b>12,194,021</b>	<b>13,488,738</b>	<b>7,434,042</b>	<b>951</b>	<b>5,123,500</b>	<b>76,136,233</b>
<b>FUND BALANCES</b>							
Nonspendable	711,421	-	-	-	-	450,150	1,161,571
Restricted	11,182,205	143,027,956	-	119,833,451	-	23,180,738	297,224,350
Committed	-	-	-	-	11,000,000	7,037,997	18,037,997
Assigned	-	-	34,066,072	-	6,333,507	-	40,399,579
Unassigned	84,172,995	-	-	-	-	-	84,172,995
<b>Total Fund Balances</b>	<b>96,066,621</b>	<b>143,027,956</b>	<b>34,066,072</b>	<b>119,833,451</b>	<b>17,333,507</b>	<b>30,668,885</b>	<b>440,996,492</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 133,961,602</b>	<b>\$ 155,221,977</b>	<b>\$ 47,554,810</b>	<b>\$ 127,267,493</b>	<b>\$ 17,334,458</b>	<b>\$ 35,792,385</b>	<b>\$ 517,132,725</b>

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2015**

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**Total Fund Balance - Governmental Funds** \$ 440,996,492

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 726,389,305	
Accumulated depreciation	(149,781,358)	576,607,947

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(5,565,074)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 254,194,909	
State school building loans	30,000	
Capital leases	179,843	
Compensated absences	2,889,331	
Net pension liability	316,235,331	(573,529,414)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 25,982,315	
Deferred inflows of resources related to pensions	(83,488,345)	(57,506,030)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

133,551,840

**Total Net Position - Governmental Activities** \$ 514,555,761

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ 356,881,575	\$ -	\$ -	\$ -	\$ -	\$ 3,224,026	\$ 360,105,601
Federal sources	27,782,718	-	-	-	-	22,525,824	50,308,542
Other state sources	61,372,579	-	-	134,961,398	-	5,305,626	201,639,603
Other local sources	10,382,974	698,469	6,416,589	532,405	71,599	12,724,360	30,826,396
<b>Total Revenues</b>	<b>456,419,846</b>	<b>698,469</b>	<b>6,416,589</b>	<b>135,493,803</b>	<b>71,599</b>	<b>43,779,836</b>	<b>642,880,142</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
Instruction	287,336,187	-	-	-	-	4,302,602	291,638,789
Instruction-related services							
Instructional supervision and administration	16,148,741	-	-	-	-	387,542	16,536,283
Instructional library, media, and technology	2,146,196	-	-	-	-	23,396	2,169,592
School site administration	25,969,735	-	-	-	-	1,460,949	27,430,684
Pupil services							
Home-to-school transportation	12,236,978	-	-	-	-	-	12,236,978
Food services	158,197	-	-	-	-	21,808,047	21,966,244
All other pupil services	23,773,780	-	-	-	-	461,282	24,235,062
General administration							
Centralized data processing	4,722,681	-	-	-	-	-	4,722,681
All other general administration	11,444,598	-	60,894	-	-	856,634	12,362,126
Plant services	44,222,703	-	80,662	-	12,608	729,656	45,045,629
Facilities acquisition and maintenance	4,454,483	41,626,716	13,595,369	60,797,600	-	411,785	120,885,953
Ancillary services	9,767,156	-	-	-	-	-	9,767,156
Community services	295,140	-	-	-	-	-	295,140
Enterprise activities	26,752	-	-	-	-	-	26,752
Transfers to other agencies	5,466,681	-	-	-	-	-	5,466,681
Debt service							
Principal	82,931	-	-	-	-	1,000,000	1,082,931
Interest and other	22,390	-	-	-	-	13,367,926	13,390,316
<b>Total Expenditures</b>	<b>448,275,329</b>	<b>41,626,716</b>	<b>13,736,925</b>	<b>60,797,600</b>	<b>12,608</b>	<b>44,809,819</b>	<b>609,258,997</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>8,144,517</b>	<b>(40,928,247)</b>	<b>(7,320,336)</b>	<b>74,696,203</b>	<b>58,991</b>	<b>(1,029,983)</b>	<b>33,621,145</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	1,596,641	-	-	-	-	371,790	1,968,431
Transfers out	(371,790)	-	(1,000,000)	-	-	(350,941)	(1,722,731)
<b>Net Financing Sources (Uses)</b>	<b>1,224,851</b>	<b>-</b>	<b>(1,000,000)</b>	<b>-</b>	<b>-</b>	<b>20,849</b>	<b>245,700</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,369,368</b>	<b>(40,928,247)</b>	<b>(8,320,336)</b>	<b>74,696,203</b>	<b>58,991</b>	<b>(1,009,134)</b>	<b>33,866,845</b>
<b>Fund Balance - Beginning</b>	<b>86,697,253</b>	<b>183,956,203</b>	<b>42,386,408</b>	<b>45,137,248</b>	<b>17,274,516</b>	<b>31,678,019</b>	<b>407,129,647</b>
<b>Fund Balance - Ending</b>	<b>\$ 96,066,621</b>	<b>\$ 143,027,956</b>	<b>\$ 34,066,072</b>	<b>\$ 119,833,451</b>	<b>\$ 17,333,507</b>	<b>\$ 30,668,885</b>	<b>\$ 440,996,492</b>

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Net Change in Fund Balances - Governmental Funds** \$ 33,866,845

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 122,734,746	
Depreciation expense:	<u>(9,428,055)</u>	113,306,691

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,082,931

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(2,868)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(469,274)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(373,905)

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (212,061)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (1,700,106)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 560,563

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 13,119,137

<b>Change in Net Position of Governmental Activities</b>	\$ 159,177,953
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GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 226,611,093
Accounts receivable	129,969
Due from other funds	1,772,639
<b>Total Assets</b>	<b>228,513,701</b>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	3,954,966
Due to other funds	273,140
<b>Total current liabilities</b>	<b>4,228,106</b>
Non-current liabilities	
Claims liabilities	13,681,195
Net OPEB obligation	77,052,560
<b>Total non-current liabilities</b>	<b>90,733,755</b>
<b>Total Liabilities</b>	<b>94,961,861</b>
<b>NET POSITION</b>	
Unrestricted	133,551,840
<b>Total Net Position</b>	<b>\$ 133,551,840</b>

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



GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 63,921,525
Other local revenues	3,676,530
<b>Total operating revenues</b>	<b>67,598,055</b>
 <b>OPERATING EXPENSE</b>	
Salaries and benefits	1,194,616
Supplies and materials	13,355
Professional services	53,572,549
<b>Total operating expenses</b>	<b>54,780,520</b>
<b>Operating income/(loss)</b>	<b>12,817,535</b>
 <b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	547,302
Transfers out	(245,700)
<b>Total non-operating revenues/(expenses)</b>	<b>301,602</b>
 <b>CHANGE IN NET POSITION</b>	<b>13,119,137</b>
<b>Net Position - Beginning</b>	<b>120,432,703</b>
<b>Net Position - Ending</b>	<b>\$ 133,551,840</b>

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Cash received (paid) from assessments made to (from) other funds	\$ 72,848,142
Cash payments for payroll, insurance, and operating costs	(49,322,006)
Net cash provided by (used for) operating activities	<u>23,526,136</u>
<b>Cash flows from non-capital financing activities</b>	
Interfund transfers in (out)	(245,700)
Net cash provided by (used for) non-capital financing activities	<u>(245,700)</u>
<b>Cash flows from investing activities</b>	
Interest received	547,302
Net cash provided by (used for) investing activities	<u>547,302</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,827,738
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	202,783,355
End of year	<u>\$ 226,611,093</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 12,817,535
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(22,244)
(Increase) decrease in due from other funds	5,272,331
Increase (decrease) in accounts payable	(153,915)
Increase (decrease) in due to other funds	(200,257)
Increase (decrease) in claims liabilities	(634,484)
Increase (decrease) in net OPEB obligation	6,447,170
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 23,526,136</u>

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

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,342,836
<b>Total Assets</b>	<u>\$ 1,342,836</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 1,342,836
<b>Total Liabilities</b>	<u>\$ 1,342,836</u>

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

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Garden Grove Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. Based on those criteria, the District has determined that there are no potential component units that should be included in the District's financial reporting entity.

C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Major Governmental Funds (*continued*)

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

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. **Basis of Accounting – Measurement Focus**

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its 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 results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**Revenues – Exchange and Non-Exchange Transactions (continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the 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 that have not met eligibility requirements 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 a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

Investments 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.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Pensions**

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

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance** (*continued*)

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner, in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. 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.

**H. 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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

**GASB Statement No. 68** – In June 2012, 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 interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

**GASB Statement No. 71** – In November 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 470,721,634	\$ 221,868,667	\$ 692,590,301	\$ -
Cash on hand and in banks	3,035,911	4,742,426	7,778,337	1,342,836
Cash in revolving fund	225,576	-	225,576	-
<b>Total cash and cash equivalents</b>	<b>\$ 473,983,121</b>	<b>\$ 226,611,093</b>	<b>\$ 700,594,214</b>	<b>\$ 1,342,836</b>

B. 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Orange County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$691,614,931 and an amortized book value of \$692,590,301. The average weighted maturity for this pool is 370 days.



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**E. 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 in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were rated AAAM.

**F. 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. 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 agencies. 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 was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government								
Categorical aid	\$ 2,586,413	\$ -	\$ -	\$ -	\$ -	\$ 5,193,154	\$ -	\$ 7,779,567
State Government								
Categorical aid	1,314,668	-	-	-	-	504,226	-	1,818,894
Lottery	4,398,374	-	-	-	-	-	-	4,398,374
Local Government								
Other local sources	3,140,060	47,788	254,297	41,885	6,450	127,534	129,969	3,747,983
<b>Total</b>	<b>\$ 11,439,515</b>	<b>\$ 47,788</b>	<b>\$ 254,297</b>	<b>\$ 41,885</b>	<b>\$ 6,450</b>	<b>\$ 5,824,914</b>	<b>\$ 129,969</b>	<b>\$ 17,744,818</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 228,184,670	\$ -	\$ -	\$ 228,184,670
Construction in progress	105,732,024	104,436,711	79,867,523	130,301,212
Total Capital Assets not Being Depreciated	333,916,694	104,436,711	79,867,523	358,485,882
Capital assets being depreciated				
Land improvements	13,940,924	274,620	-	14,215,544
Buildings & improvements	224,062,206	95,474,283	-	319,536,489
Furniture & equipment	31,821,959	2,416,655	87,224	34,151,390
Total Capital Assets Being Depreciated	269,825,089	98,165,558	87,224	367,903,423
Less Accumulated Depreciation				
Land improvements	8,804,500	377,996	-	9,182,496
Buildings & improvements	107,408,965	7,703,751	-	115,112,716
Furniture & equipment	24,224,194	1,346,308	84,356	25,486,146
Total Accumulated Depreciation	140,437,659	9,428,055	84,356	149,781,358
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 463,304,124</b>	<b>\$ 193,174,214</b>	<b>\$ 79,870,391</b>	<b>\$ 576,607,947</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

Due To Other Funds	Due From Other Funds					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service	
General Fund	\$ -	\$ 482,528	\$ 263,384	\$ 2,458,392	\$ 1,737,107	\$ 4,941,411
Building Fund	2,029	-	1,685,832	-	-	1,687,861
Capital Facilities Fund	1,106,503	8,181,763	4,049,564	-	-	13,337,830
County School Facilities Fund	-	3,974,259	-	-	-	3,974,259
Non-Major Governmental Funds	2,106,489	-	-	14,877	35,532	2,156,898
Internal Service Fund	254,332	165	-	18,643	-	273,140
<b>Total Due From Other Funds</b>	<b>\$ 3,469,353</b>	<b>\$ 12,638,715</b>	<b>\$ 5,998,780</b>	<b>\$ 2,491,912</b>	<b>\$ 1,772,639</b>	<b>\$ 26,371,399</b>

The Building Fund owed the General Fund for reimbursement of expenditures.	\$ 2,029
The Capital Facilities Fund owed the General Fund for reimbursement of expenditures.	1,106,503
The Non-Major Adult Education Fund owed the General Fund for reimbursement of expenditures.	1,131,625
The Non-Major Child Development Fund owed the General Fund for reimbursement of expenditures.	440,214
The Non-Major Cafeteria Fund owed the General Fund for reimbursement of expenditures.	183,709
The Non-Major Deferred Maintenance Fund owed the General Fund for reimbursement of expenditures.	350,941
The Internal Service Fund owed the General Fund for workers' comp and premium contributions.	254,332
The General Fund owed the Building Fund for reimbursement of expenditures.	482,528
The Capital Facilities Fund owed the Building Fund for reimbursement of expenditures.	8,181,763
The County School Facilities Fund owed the Building Fund for reimbursement of expenditures.	3,974,259
The Internal Service Fund owed the Building Fund for workers' comp and premium contributions.	165
The General Fund owed the County School Facilities Fund for reimbursement of expenditures.	263,384
The Building Fund owed the County School Facilities Fund for reimbursement of expenditures.	1,685,832
The Capital Facilities Fund owed the County School Facilities Fund for reimbursement of expenditures.	4,049,564
The General Fund owed the Non-Major Adult Education Fund for reimbursement of expenditures.	143,090
The General Fund owed the Non-Major Child Development Fund for reimbursement of expenditures.	308,757
The Internal Service Fund owed the Non-Major Child Development Fund for workers' comp and premium contributions.	17,145
The General Fund owed the Non-Major Cafeteria Fund for reimbursement of expenditures.	6,545
The Non-Major Child Development Fund owed the Non-Major Cafeteria Fund for reimbursement of expenditures.	14,877
The Internal Service Fund owed the Non-Major Cafeteria Fund for workers' comp and premium contributions.	1,498
The General Fund owed the Non-Major Deferred Maintenance Fund for reimbursement of expenditures.	2,000,000
The General Fund owed the Internal Service Fund for workers' comp and premium contributions.	1,737,107
The Non-Major Adult Education Fund owed the Internal Service Fund for reimbursement of expenditures.	83
The Non-Major Cafeteria Fund owed the Internal Service Fund for workers' comp and premium contributions.	35,449
<b>Total</b>	<b>\$ 26,371,399</b>

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

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

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 371,790	\$ 371,790
Capital Facilities Fund	1,000,000	-	1,000,000
Non-Major Governmental Funds	350,941	-	350,941
Internal Service Fund	245,700	-	245,700
<b>Total Interfund Transfers</b>	<b>\$ 1,596,641</b>	<b>\$ 371,790</b>	<b>\$ 1,968,431</b>

The Capital Facilities Fund transferred to the General Fund per redevelopment agreement.	\$ 1,000,000
The Non-Major Deferred Maintenance Fund transferred to the General Fund for reimbursement of workorder projects.	350,941
The Internal Service Fund transferred to the General Fund for reimbursement of computer losses.	245,700
The General Fund transferred to the Non-Major Child Development Fund for expenditures incurred.	371,790
<b>Total</b>	<b>\$ 1,968,431</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

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**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Payroll	\$ 17,058,829	\$ 69,260	\$ -	\$ -	\$ -	\$ 1,204,097	\$ 73,715	\$ -	\$ 18,405,901
Construction	-	10,436,900	150,908	3,459,783	951	-	-	-	14,048,542
Vendors payable	11,576,631	-	-	-	-	1,548,863	3,881,251	-	17,006,745
Due to Grantor Government	1,105,492	-	-	-	-	-	-	-	1,105,492
Unmatured interest	-	-	-	-	-	-	-	5,565,074	5,565,074
<b>Total</b>	<b>\$ 29,740,952</b>	<b>\$ 10,506,160</b>	<b>\$ 150,908</b>	<b>\$ 3,459,783</b>	<b>\$ 951</b>	<b>\$ 2,752,960</b>	<b>\$ 3,954,966</b>	<b>\$ 5,565,074</b>	<b>\$ 56,131,754</b>

**NOTE 7 – UNEARNED REVENUE**

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 411,998	\$ 181,124	\$ 593,122
Local sources	2,800,620	32,518	2,833,138
<b>Total</b>	<b>\$ 3,212,618</b>	<b>\$ 213,642</b>	<b>\$ 3,426,260</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance		
	July 01, 2014	Additions	Deductions	June 30, 2015	Balance Due In One Year	
<b>Governmental Activities</b>						
General obligation bonds	\$ 245,970,316	\$ 373,905	\$ 1,000,000	\$ 245,344,221	\$ 3,355,000	
Unamortized premium	9,411,251	-	560,563	8,850,688	560,563	
Total general obligation bonds	255,381,567	373,905	1,560,563	254,194,909	3,915,563	
State school building loans	45,000	-	15,000	30,000	15,000	
Capital leases	247,774	-	67,931	179,843	74,814	
Compensated absences	2,677,270	212,061	-	2,889,331	-	
Net OPEB obligation	70,605,390	6,447,170	-	77,052,560	-	
Net pension liability	394,308,410	-	78,073,079	316,235,331	-	
<b>Total</b>	<b>\$ 723,265,411</b>	<b>\$ 7,033,136</b>	<b>\$ 79,716,573</b>	<b>\$ 650,581,974</b>	<b>\$ 4,005,377</b>	

- Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on state school building loans are made in the General Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for compensated absences are paid from the fund responsible for the employee salary.

**A. Measure A General Obligation Bonds**

On June 8, 2010 the voters of the District approved by more than 55% Measure A which authorizes \$250 million in general obligation bonds for the modernization of district schools. Under state law, the bond money can only be used for acquiring, constructing, or improving school facilities, and furniture and equipment. Bond funds are deposited into a special account held and monitored by the Orange County Treasurer to ensure proper fund allocation, and are subject to independent annual financial and performance audits open to public scrutiny. Also, a Citizen’s Oversight Committee has been established to assure the appropriate expenditure of Measure A funds. The use of Measure A funds for teacher and administrator salaries or operating expenses unrelated to bond measure projects is strictly prohibited.

The outstanding bonded debt of Garden Grove Unified School District at June 30, 2015 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2015
					Outstanding July 01, 2014	Additions	Deductions	
Election 2010, Series A	September 23, 2010	August 1, 2021	2.00 - 5.00%	\$ 11,900,160	\$ 7,875,316	\$ 373,905	\$ 1,000,000	\$ 7,249,221
Election 2010, Series B	September 23, 2010	August 1, 2040	5.00 - 6.13%	118,100,000	118,100,000	-	-	118,100,000
Election 2010, Series C	September 25, 2013	August 1, 2040	3.00 - 5.25%	119,995,000	119,995,000	-	-	119,995,000
					<b>\$ 245,970,316</b>	<b>\$ 373,905</b>	<b>\$ 1,000,000</b>	<b>\$ 245,344,221</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**B. Election of 2010, Series A & B**

On September 23, 2010, Election of 2010, Series A & B of the Measure A bond authorization was issued. Series A consisted of capital appreciation bonds and current interest bonds with an initial par amount of \$11,900,160 with stated interest rates of 2.00% to 5.00% and maturing through August 1, 2021, and Series B which consisted of Federally Taxable – Build America Bonds with an initial par amount of \$118,100,000 with stated interest rates of 5.00% to 6.13%.

The annual requirements to amortize the Series A general obligation bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 575,000	\$ 134,000	\$ 709,000
2017	1,000,000	102,500	1,102,500
2018	1,100,000	68,750	1,168,750
2019	1,100,000	27,500	1,127,500
2020	732,860	1,267,140	2,000,000
2021 - 2025	1,392,300	3,107,700	4,500,000
Accretion	1,349,061	(1,349,061)	-
<b>Total</b>	<b>\$ 7,249,221</b>	<b>\$ 3,358,529</b>	<b>\$ 10,607,750</b>

**C. Election of 2010, Series A & B (continued)**

The annual requirements to amortize the Series B Build America Bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2016	\$ -	\$ 7,123,720	\$ (2,493,302)	\$ 4,630,418
2017	-	7,123,720	(2,493,302)	4,630,418
2018	-	7,123,720	(2,493,302)	4,630,418
2019	-	7,123,720	(2,493,302)	4,630,418
2020	-	7,123,720	(2,493,302)	4,630,418
2021 - 2025	5,500,000	35,228,675	(12,330,036)	28,398,639
2026 - 2030	18,200,000	31,974,140	(11,190,949)	38,983,191
2031 - 2035	34,000,000	23,964,305	(8,387,507)	49,576,798
2036 - 2040	48,700,000	11,425,085	(3,998,780)	56,126,305
2041	11,700,000	358,605	(125,512)	11,933,093
<b>Total</b>	<b>\$ 118,100,000</b>	<b>\$ 138,569,410</b>	<b>\$ (48,499,294)</b>	<b>\$ 208,170,116</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**D. Election of 2010, Series C**

On September 25, 2013, Election of 2010, Series C of the Measure A bond authorization was issued. Series C consisted of current interest bonds with an initial par amount of \$119,995,000 with stated interest rates of 3.00% to 5.25% and maturing through August 1, 2040.

The annual requirements to amortize the Series C general obligation bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,780,000	\$ 6,038,306	\$ 8,818,306
2017	-	5,989,656	5,989,656
2018	-	5,989,656	5,989,656
2019	-	5,989,656	5,989,656
2020	-	5,989,656	5,989,656
2021 - 2025	5,575,000	29,557,781	35,132,781
2026 - 2030	16,315,000	26,603,578	42,918,578
2031 - 2035	28,235,000	21,387,625	49,622,625
2036 - 2040	52,545,000	11,348,394	63,893,394
2041	14,545,000	381,806	14,926,806
Total	<u>\$ 119,995,000</u>	<u>\$ 119,276,114</u>	<u>\$ 239,271,114</u>

**E. State Preschool Loan**

On July 14, 2004, the District was awarded \$150,000 for a Child Care Facilities Revolving Loan to construct portable facilities for the preschool program at Wakeham Elementary School. A capital lease agreement with the state was entered into and requires \$150,000 be repaid within ten years, at the amount of \$15,000 per year, at which time title to the facility will transfer to the District. The revolving loan bears no interest. As of June 30, 2015, \$30,000 remains outstanding on the loan.



GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (*continued*)

F. Capital Leases

The District has leases with Xerox & OCE for equipment with options to purchase. The capital leases have minimum lease payments as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2016	\$ 90,321
2017	69,843
2018	45,464
Total minimum lease payments	205,628
Less amount representing interest	(25,785)
Present value of minimum lease payments	<u>\$ 179,843</u>

G. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$2,889,331. This amount is included as part of long-term liabilities in the government-wide financial statements.

H. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$394,308,410 which was decreased by \$78,073,079 for the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$316,235,331. See Note 11 for additional information regarding the net pension liability.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable							
Revolving cash	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 25,576	\$ 225,576
Stores inventory	511,421	-	-	-	-	424,574	935,995
Total non-spendable	711,421	-	-	-	-	450,150	1,161,571
Restricted							
Educational programs	11,182,205	-	-	-	-	-	11,182,205
Capital projects	-	143,027,956	-	119,833,451	-	-	262,861,407
Debt service	-	-	-	-	-	10,490,425	10,490,425
All others	-	-	-	-	-	12,690,313	12,690,313
Total restricted	11,182,205	143,027,956	-	119,833,451	-	23,180,738	297,224,350
Committed							
Other commitments	-	-	-	-	11,000,000	7,037,997	18,037,997
Total committed	-	-	-	-	11,000,000	7,037,997	18,037,997
Assigned							
Capital projects	-	-	34,066,072	-	6,333,507	-	40,399,579
Total assigned	-	-	34,066,072	-	6,333,507	-	40,399,579
Unassigned							
Remaining unassigned	84,172,995	-	-	-	-	-	84,172,995
Total unassigned	84,172,995	-	-	-	-	-	84,172,995
<b>Total</b>	<b>\$ 96,066,621</b>	<b>\$ 143,027,956</b>	<b>\$ 34,066,072</b>	<b>\$ 119,833,451</b>	<b>\$ 17,333,507</b>	<b>\$ 30,668,885</b>	<b>\$ 440,996,492</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 2 percent of General Fund expenditures and other financing uses.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment plan (OPEB), where plan assets may be used only for the payment of benefits to the members of that plan. The plan assets are accounted for in the Self Insurance Fund. The District implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2007-08.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	270
Active plan members	2,801
Total*	<u>3,071</u>
 Number of participating employers	 1

\*As of July 1, 2013 actuarial study

The District’s Self-Insurance Fund is a single-employer defined benefit postemployment healthcare plan administered by the District that covers eligible retired employees of the District including all departments. The Fund provides health insurance benefits to eligible retirees and their spouses.

B. Funding Policy

Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts annually toward the cost of health insurance premiums. Plan members are required to contribute \$240 annually for Retiree Only coverage and \$560, if dependent coverage is elected. The required contribution is based on projected pay-as-you-go financing requirements. Each retiree makes a contribution towards the premium and the District funds the remainder. For fiscal year 2014-15 the District contributed \$5,014,058 to the plan.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 13,059,645
Interest on net OPEB obligation	3,177,241
Adjustment to annual required contribution	<u>(4,775,660)</u>
Annual OPEB cost (expense)	11,461,226
Contributions made	<u>(5,014,058)</u>
Increase (decrease) in net OPEB obligation	6,447,168
Net OPEB obligation, beginning of the year	<u>70,605,392</u>
Net OPEB obligation, end of the year	<u>\$ 77,052,560</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 11,461,226	44%	\$ 77,052,560
2014	\$ 11,752,846	28%	\$ 70,605,392
2013	\$ 16,757,336	29%	\$ 62,180,232

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 105,216,861	\$ 105,216,861	0%	\$ 276,440,920	38%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year closed, 7 years elapsed
Actuarial Assumptions:	
Discount rate	4.5%
Medical trend	7.0% to 5.0% in year 5
Prescription drug trend	8.0% to 5.0% in year 7
Administrative fee trend	3.0%

**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated 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 recognized \$27,493,791 for their proportionate share of pension expense for the year ended June 30, 2015.

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (*continued*)

California State Teachers’ Retirement System (CalSTRS) (*continued*)

**Contributions**

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$18,838,736 for the year ended June 30, 2015.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$10,661,697 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

**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:

District's proportionate share of the net pension liability	\$ 258,554,380
States's proportionate share of the net pension liability associated with the District	156,126,298
Total	\$ 414,680,678

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to 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, 2014, the District’s proportion was 0.442 percent, which did not change from its proportion measured as of June 30, 2013.



GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$22,319,975. In addition, the District recognized pension expense and revenue of \$13,477,900 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 63,668,524
District contributions subsequent to the measurement date	18,838,736	-
	<u>\$ 18,838,736</u>	<u>\$ 63,668,524</u>

\$18,838,736 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 15,917,131
2017	15,917,131
2018	15,917,131
2019	15,917,131
	<u>\$ 63,668,524</u>

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

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 actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
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%
	<u>100%</u>	

\* 10-year geometric average

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 403,018,659	\$ 258,554,380	\$ 138,097,427

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$6,954,949 for the year ended June 30, 2015.

**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 of \$57,680,951 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to 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, 2014, the District's proportion was 0.508 percent, which increased by 0.002 percent from its proportion measured as of June 30, 2013.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$5,173,816. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 19,819,821
Changes in proportion and differences between District contributions and proportionate share of contributions	188,630	-
District contributions subsequent to the measurement date	6,954,949	-
	<u>\$ 7,143,579</u>	<u>\$ 19,819,821</u>

\$6,954,949 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 47,158	\$ 4,954,955
2017	47,158	4,954,955
2018	47,158	4,954,955
2019	47,156	4,954,956
	<u>\$ 188,630</u>	<u>\$ 19,819,821</u>

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	\$ 101,185,555	\$ 57,680,951	\$ 21,328,468

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

**A. Grants**

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

**B. 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.

**C. Construction Commitments**

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$168,983,147.



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015**

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**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in a joint powers authority (JPA), the Southern California Schools Regional Liability Excess Fund (ReLiEF). The relationship between the District and the JPA is such that the JPA is not component unit of the District for financial reporting purposes. ReLiEF arranges for and provides self-funded excess liability and property coverage for approximately seventy public educational agencies with combined average daily attendance of 1,003,425 and property values of approximately \$24.12 billion.

ReLiEF arranges for and provides property and liability insurance for approximately seventy members consisting of both public educational agencies and other JPA's. ReLiEF is governed by a board consisting of a representative from each member. The board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District's deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>
STRS Pension	\$ 18,838,736	\$ 63,668,524
PERS Pension	7,143,579	19,819,821
<b>Total</b>	<b>\$ 25,982,315</b>	<b>\$ 83,488,345</b>

**NOTE 15 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 727,419,063
Restatement	(372,041,255)
Net Position - Beginning, as Restated	<b>\$ 355,377,808</b>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 16 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 13, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

The District retains the risk of loss under the California Education Code Section 39602 for general liability up to \$50,000, commercial property up to \$25,000, worker's compensation claims up to \$500,000 and employee medical benefit claims. The District has obtained insurance coverage that will cover claims within the following ranges to supplement its risk retention program:

Worker's compensation	\$500,000 per claim up to	\$25,000,000
Property claims	\$25,000 per claim up to	\$250,000,000
General liability	\$50,000 per claim up to	\$25,000,000

Related claims paid for the year ended June 30, 2015 were \$2,070,938 for worker's compensation claims, \$27,536,529 for medical and dental claims, and \$4,233,490 for catastrophic claims, bringing total claim payments to \$33,840,957. These amounts have been recorded as self-insured losses in the Self-Insurance Internal Service Fund. The District has adjusted the outstanding claims payable based on information provided by their claim administrator relating to claims incurred but not reported (IBNR) to bring the total liability for insurance claims at June 30, 2015 to \$13,681,195.

Claims payable and other liabilities in fiscal year 2015 and 2014 were as follows:

	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Health &amp; Welfare</b>	<b>Total</b>
Liability Balance, July 01, 2014	\$ 473,423	\$ 8,778,551	\$ 5,063,705	\$ 14,315,679
Claims & changes in estimates	-	1,894,617	27,078,366	28,972,983
Claims payments	-	(2,070,938)	(27,536,529)	(29,607,467)
Liability Balance, June 30, 2015	<u>\$ 473,423</u>	<u>\$ 8,602,230</u>	<u>\$ 4,605,542</u>	<u>\$ 13,681,195</u>
Assets available to pay claims at June 30, 2015				<u>\$ 133,551,840</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 353,763,716	\$ 356,355,601	\$ 356,881,575	\$ 525,974
Federal sources	29,062,328	33,648,479	27,782,718	(5,865,761)
Other state sources	43,568,037	61,589,249	61,372,579	(216,670)
Other local sources	9,196,269	13,994,515	10,382,974	(3,611,541)
<b>Total Revenues</b>	<b>435,590,350</b>	<b>465,587,844</b>	<b>456,419,846</b>	<b>(9,167,998)</b>
<b>EXPENDITURES</b>				
Certificated salaries	201,574,186	216,232,795	210,479,308	5,753,487
Classified salaries	67,900,228	76,054,996	69,322,827	6,732,169
Employee benefits	111,153,818	111,648,677	104,208,322	7,440,355
Books and supplies	40,571,107	39,075,066	19,376,160	19,698,906
Services and other operating expenditures	36,732,450	48,423,136	34,127,655	14,295,481
Capital outlay	1,890,100	8,458,757	6,045,689	2,413,068
Other outgo				
Excluding transfers of indirect costs	5,219,307	6,199,202	5,572,002	627,200
Transfers of indirect costs	(811,158)	(900,160)	(856,634)	(43,526)
<b>Total Expenditures</b>	<b>464,230,038</b>	<b>505,192,469</b>	<b>448,275,329</b>	<b>56,917,140</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(28,639,688)</b>	<b>(39,604,625)</b>	<b>8,144,517</b>	<b>47,749,142</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,000,000	1,596,641	1,596,641	-
Transfers out	(645,086)	(380,676)	(371,790)	8,886
<b>Net Financing Sources (Uses)</b>	<b>354,914</b>	<b>1,215,965</b>	<b>1,224,851</b>	<b>8,886</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(28,284,774)</b>	<b>(38,388,660)</b>	<b>9,369,368</b>	<b>47,758,028</b>
<b>Fund Balance - Beginning</b>	<b>77,352,485</b>	<b>86,697,253</b>	<b>86,697,253</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 49,067,711</b>	<b>\$ 48,308,593</b>	<b>\$ 96,066,621</b>	<b>\$ 47,758,028</b>

See accompanying note to required supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 105,216,861	\$ 105,216,861	0%	\$ 276,440,920	38%
July 1, 2011	\$ -	\$ 133,446,233	\$ 133,446,233	0%	\$ 257,385,515	52%
July 1, 2009	\$ -	\$ 123,690,199	\$ 123,690,199	0%	\$ 281,529,029	44%

See accompanying note to required supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.442%
District's proportionate share of the net pension liability	\$ 258,554,380
States's proportionate share of the net pension liability associated with the District	156,126,298
Total	<u>\$ 414,680,678</u>
District's covered-employee payroll	\$ 212,147,915
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.9%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.508%
District's proportionate share of the net pension liability	\$ 57,680,951
District's covered-employee payroll	\$ 59,085,462
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	97.6%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 18,838,736
Contributions in relation to the contractually required contribution*	(18,838,736)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 212,147,915
Contributions as a percentage of covered-employee payroll	8.88%

\*Amounts do not include on behalf contributions



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,954,949
Contributions in relation to the contractually required contribution	(6,954,949)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 59,085,462
Contributions as a percentage of covered-employee payroll	11.77%

See accompanying note to required supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, the District incurred no excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

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**SUPPLEMENTARY  
INFORMATION**

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**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE  
 FOR THE YEAR ENDED JUNE 30, 2015**

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Garden Grove Unified School District is located in Orange County, California. The District was established on July 1, 1965 and is comprised of an area of approximately 28 square miles. There were no changes in the boundaries of the District during the current year. The District is currently operating 46 elementary schools, 10 intermediate schools, 7 high schools, 2 continuation high schools, 2 special education facilities and 1 adult education center.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
George West, Ed.D	President	November, 2016
Lan Quoc Nguyen	Vice President	November, 2018
Bob Harden	Member	November, 2018
Linda Reed	Member	November, 2016
Teri Rocco	Member	November, 2016

**DISTRICT ADMINISTRATORS**

Dr. Gabriela Mafi  
*Superintendent*

Mr. Rick Nakano  
*Assistant Superintendent, Business Services*

Ms. Sara Wescott  
*Assistant Superintendent, Elementary Education*

Ms. Kelly McAmis  
*Assistant Superintendent, Secondary Education*

Ms. Joli Armitage  
*Assistant Superintendent, Personnel Services*

Ms. Lorraine Rae  
*Assistant Superintendent, Special Education and Student Services*

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education Cluster	84.010	14329	\$ 11,979,163
Adult Education: Adult Secondary Education	84.002	13978	99,125
Adult Education: Adult Basic Education & ESL (Section 231)	84.002A	14508	717,925
Adult Education: English Literacy and Civics Education	84.002A	14109	305,013
Subtotal Adult Education Cluster			<u>1,122,063</u>
Title II, Part A, Teacher Quality	84.367A	14341	2,217,449
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,495,251
Title III, Immigrant Education Program	84.365	15146	139,574
Subtotal Title III Cluster			<u>1,634,825</u>
Title IV, Part B, 21st Century Community Learning Centers Program Special Education Cluster	84.287	14681	1,686,750
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	7,900,917
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	514,433
Part B, Preschool Grants	84.173	13430	144,123
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	34,656
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	315,332
Preschool Staff Development	84.173A	13431	2,804
Subtotal Special Education Cluster			<u>8,912,265</u>
IDEA Early Intervention Grants	84.181	23761	110,635
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	358,953
<b>Total U. S. Department of Education</b>			<u>28,022,103</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	3,005,154
National School Lunch Program	10.555	13391	12,925,904
Meal Supplements	10.555	*	695,293
USDA Commodities	10.555	*	2,030,045
Summer Food Service Program for Children	10.559	13004	209,767
Subtotal Child Nutrition Cluster			<u>18,866,163</u>
Fresh Fruit and Vegetable Program	10.582	14968	22,562
<b>Total U. S. Department of Agriculture</b>			<u>18,888,725</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Now is the Time (NITT) Advancing Wellness & Resilience in Education	93.243	15293	96,878
Child Development: Federal General and State Preschool	93.596	13609	202,498
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	635,822
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>935,198</u>
<b>Total Federal Expenditures</b>			<u>\$ 47,846,026</u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	12,982.92	13,000.91
Extended Year Special Education	27.47	27.47
Special Education - Nonpublic Schools	2.87	2.80
Extended Year Special Education - Nonpublic Schools	0.57	0.57
Total TK/K through Third	13,013.83	13,031.75
Fourth through Sixth		
Regular ADA	10,483.47	10,485.47
Extended Year Special Education	19.73	19.73
Special Education - Nonpublic Schools	7.45	7.37
Extended Year Special Education - Nonpublic Schools	0.81	0.81
Total Fourth through Sixth	10,511.46	10,513.38
Seventh through Eighth		
Regular ADA	6,949.35	6,952.68
Extended Year Special Education	11.79	11.79
Special Education - Nonpublic Schools	5.99	5.72
Extended Year Special Education - Nonpublic Schools	1.35	1.35
Total Seventh through Eighth	6,968.48	6,971.54
Ninth through Twelfth		
Regular ADA	14,279.75	14,219.58
Extended Year Special Education	34.07	34.07
Special Education - Nonpublic Schools	16.66	16.08
Extended Year Special Education - Nonpublic Schools	2.35	2.35
Total Ninth through Twelfth	14,332.83	14,272.08
TOTAL SCHOOL DISTRICT	44,826.60	44,788.75

See accompanying note to supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2014-15 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	41,400	180	Complied
Grade 1	50,400	49,000	54,890	180	Complied
Grade 2	50,400	49,000	54,890	180	Complied
Grade 3	50,400	49,000	54,890	180	Complied
Grade 4	54,000	52,500	54,890	180	Complied
Grade 5	54,000	52,500	54,890	180	Complied
Grade 6	54,000	52,500	54,890	180	Complied
Grade 7	54,000	52,500	55,660	180	Complied
Grade 8	54,000	52,500	55,660	180	Complied
Grade 9	64,800	63,000	64,850	180	Complied
Grade 10	64,800	63,000	64,850	180	Complied
Grade 11	64,800	63,000	64,850	180	Complied
Grade 12	64,800	63,000	64,850	180	Complied

See accompanying note to supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016 (Budget)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 516,185,596	\$ 458,016,487	\$ 403,973,243	\$ 378,652,223
Expenditures And Other Financing Uses	499,318,350	448,647,119	408,539,268	387,923,297
Net change in Fund Balance	\$ 16,867,246	\$ 9,369,368	\$ (4,566,025)	\$ (9,271,074)
Ending Fund Balance	\$ 112,933,867	\$ 96,066,621	\$ 86,697,253	\$ 91,263,278
Available Reserves*	\$ 16,352,774	\$ 84,172,995	\$ 54,747,198	\$ 65,320,164
Available Reserves As A Percentage Of Outgo	3.28%	18.76%	13.40%	16.84%
Long-term Debt	\$ 646,576,597	\$ 650,581,974	\$ 328,957,001	\$ 194,975,594
Average Daily Attendance At P-2	43,762	44,827	45,631	46,091

The General Fund balance has increased by \$4,803,343 over the past two years. The fiscal year 2015-16 budget projects an increase of \$16,867,246. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$455,606,380 over the past two years.

Average daily attendance has decreased by 1,264 ADA over the past two years. Additional decline of 1,065 ADA is anticipated during the 2015-16 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.



**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 463,633	\$ 137,815	\$ 10,329,819	\$ 5,629,293	\$ 10,490,425	\$ 27,050,985
Accounts receivable	582,068	149,149	5,091,803	1,894	-	5,824,914
Due from other funds	143,090	325,902	22,920	2,000,000	-	2,491,912
Stores inventory	-	-	424,574	-	-	424,574
<b>Total Assets</b>	<b>\$ 1,188,791</b>	<b>\$ 612,866</b>	<b>\$ 15,869,116</b>	<b>\$ 7,631,187</b>	<b>\$ 10,490,425</b>	<b>\$ 35,792,385</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 57,083	\$ 157,775	\$ 2,295,853	\$ 242,249	\$ -	\$ 2,752,960
Due to other funds	1,131,708	455,091	219,158	350,941	-	2,156,898
Unearned revenue	-	-	213,642	-	-	213,642
<b>Total Liabilities</b>	<b>1,188,791</b>	<b>612,866</b>	<b>2,728,653</b>	<b>593,190</b>	<b>-</b>	<b>5,123,500</b>
<b>FUND BALANCES</b>						
Non-spendable	-	-	450,150	-	-	450,150
Restricted	-	-	12,690,313	-	10,490,425	23,180,738
Committed	-	-	-	7,037,997	-	7,037,997
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>13,140,463</b>	<b>7,037,997</b>	<b>10,490,425</b>	<b>30,668,885</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,188,791</b>	<b>\$ 612,866</b>	<b>\$ 15,869,116</b>	<b>\$ 7,631,187</b>	<b>\$ 10,490,425</b>	<b>\$ 35,792,385</b>

See accompanying note to supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 1,224,026	\$ -	\$ -	\$ 2,000,000	\$ -	\$ 3,224,026
Federal sources	1,122,063	202,498	18,888,725	-	2,312,538	22,525,824
Other state sources	115,694	3,724,482	1,370,914	-	94,536	5,305,626
Other local sources	329,055	3,744	2,535,735	18,046	9,837,780	12,724,360
<b>Total Revenues</b>	<b>2,790,838</b>	<b>3,930,724</b>	<b>22,795,374</b>	<b>2,018,046</b>	<b>12,244,854</b>	<b>43,779,836</b>
<b>EXPENDITURES</b>						
Current						
Instruction	1,326,303	2,976,299	-	-	-	4,302,602
Instruction-related services						
Instructional supervision and administration	152,929	234,613	-	-	-	387,542
Instructional library, media, and technology	9,081	14,315	-	-	-	23,396
School site administration	1,096,032	364,917	-	-	-	1,460,949
Pupil services						
Food services	-	-	21,808,047	-	-	21,808,047
All other pupil services	105,307	355,975	-	-	-	461,282
General administration						
All other general administration	46,921	101,474	708,239	-	-	856,634
Plant services	54,265	312,111	-	363,280	-	729,656
Facilities acquisition and maintenance	-	-	85,385	326,400	-	411,785
Debt service						
Principal	-	-	-	-	1,000,000	1,000,000
Interest and other	-	-	-	-	13,367,926	13,367,926
<b>Total Expenditures</b>	<b>2,790,838</b>	<b>4,359,704</b>	<b>22,601,671</b>	<b>689,680</b>	<b>14,367,926</b>	<b>44,809,819</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(428,980)</b>	<b>193,703</b>	<b>1,328,366</b>	<b>(2,123,072)</b>	<b>(1,029,983)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	371,790	-	-	-	371,790
Transfers out	-	-	-	(350,941)	-	(350,941)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>371,790</b>	<b>-</b>	<b>(350,941)</b>	<b>-</b>	<b>20,849</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(57,190)</b>	<b>193,703</b>	<b>977,425</b>	<b>(2,123,072)</b>	<b>(1,009,134)</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>57,190</b>	<b>12,946,760</b>	<b>6,060,572</b>	<b>12,613,497</b>	<b>31,678,019</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,140,463</b>	<b>\$ 7,037,997</b>	<b>\$ 10,490,425</b>	<b>\$ 30,668,885</b>

See accompanying note to supplementary information.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Local Education Agency Organization Structure**

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

**Schedule of 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 Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 50,308,542
Medi-Cal Billing Option	93.778	(149,978)
Build America Bonds Interest Subsidy	*	(2,312,538)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$47,846,026</u>

\* - CFDA Number is not applicable

**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.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION, continued**  
**JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Schedule of Instructional Time**

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 46208. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

**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 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 Annual Financial and Budget Report Unaudited Actuals to audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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Christy White, CPA

Michael Ash, CPA

Heather Rubio

**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**

Independent Auditors' Report

Governing Board  
Garden Grove Unified School District  
Garden Grove, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garden Grove Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Garden Grove Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Garden Grove Unified School District's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 14, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Christy White, CPA

Independent Auditors' Report

Michael Ash, CPA

Heather Rubio

Governing Board  
Garden Grove Unified School District  
Garden Grove, California

**Report on Compliance for Each Major Federal Program**

We have audited Garden Grove Unified 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 Garden Grove Unified School District's major federal programs for the year ended June 30, 2015. Garden Grove Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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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 Garden Grove Unified School District's compliance.

### *Opinion on Each Major Federal Program*

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Christy White Associates*

San Diego, California  
December 14, 2015

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Garden Grove Unified School District  
Garden Grove, California

#### **Report on State Compliance**

We have audited Garden Grove Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Garden Grove Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Garden Grove Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Garden Grove Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Garden Grove Unified School District's compliance with those requirements.

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***Opinion on State Compliance***

In our opinion, Garden Grove Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2015-1, our opinion on state compliance is not modified with respect to this matter.

Garden Grove Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Garden Grove Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Procedures Performed***

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

<b><u>PROGRAM NAME</u></b>	<b><u>PROCEDURES PERFORMED</u></b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes

*(Continued on the next page)*

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White Associates*

San Diego, California  
December 14, 2015

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>	
<u>84.287</u>	<u>Title IV, Part B, 21st Century Community Learning Centers Program</u>	
Dollar threshold used to distinguish between Type A and Type B programs:		\$ <u>1,435,381</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2015.*



GARDEN GROVE UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2015.*

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

**Condition:** 4 of 120 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population (4,696 students), 157 students were identified as ineligible.

**Cause:** The Child Nutrition program allows districts to use the student’s prior year meal application during the first 30 days of school to ensure all eligible students receive a free or reduced price meal during the application collection period. The District was unaware that this meal application status would not be allowed to be considered for CALPADS purposes.

**Effect:** The District is not in compliance with State requirements.

**Context:** 157 of 75,362 (37,077 for 2014-15 and 38,246 for 2013-14) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**  
**(continued)**

**Questioned Costs:** Total questioned costs of \$123,709, calculated as follows:

<b>LCFF Target Base Grant Amount and Pupil Counts</b>		
1) Total Base Grant Amount <sup>(1)</sup>		<b>360,961,626</b>
	<b>Section 1: UPP</b>	<b>Section 2: UPP</b>
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit <sup>(2)</sup>	<b>92,880</b>	<b>93,682</b>
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit <sup>(3)</sup>	<b>74,482</b>	<b>75,362</b>

<b>Unduplicated Pupil Percentage Adjustment</b>		
4) Unduplicated Pupil Count	74,482	75,362
5) Number of Unduplicated Pupil Count Adjustment (plus or minus) <sup>(4)</sup>	(157)	(157)
6) Adjusted Unduplicated Pupil Count	74,325	75,205
7) Unduplicated Pupil Percentage calculated at P-2	0.8019	0.8044
8) Adjusted Unduplicated Pupil Percentage	0.8002	0.8028
<b>9) Funded UPP (Greater of Section 1 or 2)</b>		<b>0.8028</b>

<b>Target Supplemental Audit Adjustment</b>		
10) Target supplemental grant funding calculated at P-2	-	58,071,506
11) Adjusted target supplemental grant funding	-	57,955,999
12) Target supplemental audit adjustment	-	(115,508)

<b>Target Concentration Audit Adjustment</b>		
13) Target Concentration grant funding calculated at P-2	45,463,117	45,914,319
14) Adjusted target concentration grant funding	45,156,299	45,625,550
15) Target concentration audit adjustment	(306,817)	(288,769)

<b>Value of Adjustment in Current Year</b>		
16) Total target supplemental and concentration audit adjustment	(306,817)	(404,277)
17) Statewide gap funding rate	0.3060000000	0.3060000000
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	<b>(93,886)</b>	<b>(123,709)</b>

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

**GARDEN GROVE UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015**

---

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)  
(continued)**

**District Response:** The district was unaware that the CALPADS count did not represent the true number of Free and Reduced Price Meal (FRPM) applications due to the inability of CALPADS to append new data. As this is the only table in CALPADS that does not allow automatic updates, our process of rolling over prior year data and updating as new information became available did not report our true count. The district has modified procedures so that prior year data is not sent to CALPADS along with periodic updates.

The new process involves clearing the table that holds the FRPM records in the student information system (Aeries) at the beginning of each year. The Direct Certification and the school lunch program data is then loaded directly into Aeries. Once populated, confirmation is made that the figures in Aeries matches the data in the school lunch application program (WinSNAP). Aeries data is then uploaded into CALPADS only once. Any subsequent changes are manually made in CALPADS.

This ensures that any data posted in CALPADS matches our data in WinSNAP, Aeries, and the district's supporting meal application documentation.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

---

**FINDING #2014-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section 19849 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

**Condition:** 4 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as free or reduced price meal eligible (FRPM) did not have proper supporting documentation to support their designation.

**Cause:** The Child Nutrition program allows districts to use the student’s prior year meal application during the first 30 days of school to ensure all eligible students receive a free or reduced price meal during the application collection period. The District was unaware that this meal application status would not be allowed to be considered for CALPADS purposes.

**Effect:** The District is not in compliance with state requirements.

**Context:** 4 of 60 students reported as FRPM eligible did not have proper supporting documentation to support their designation.

**Questioned Costs:**

To determine questioned costs, the error rate (4/60) was extrapolated over the entire impacted population for all schools, as the error only related to FRPM determination, only pupils eligible based on FRPM were considered.

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000), continued

Errors Discovered	4
Population Tested	60
Error Rate (A / B)	6.67%
Total Impacted Population	4,833
Total Unallowed Students (C x D)	322
Unadjusted Pupil Count	38,214
Total Population	46,936
Unadjusted % (F / G)	81.42%
Adjusted Count (F - E)	37,892
Adjusted % (I / G)	80.73%

Schools Tested	Unadjusted Pupil Count	Unadjusted Enrollment	Total Errors Found	Adjusted Pupil Count	Adjusted Enrollment
Bryant Elementary School	526	558	0	526	558
C.C. Violette Elementary School	522	562	0	522	562
Dwight D. Eisenhower Elementary School	869	892	1	868	892
Earl Warren Elementary	430	469	0	430	469
Enders Elementary School	213	528	0	213	528
Ernest O. Lawrence Elementary School	547	602	0	547	602
Ethan B. Allen Elementary School	433	835	1	432	835
Dr. Walter C. Ralston Intermediate School	534	668	0	534	668
Louis Lake Intermediate School	471	610	1	470	610
Bolsa Grande High School	1,723	2,003	1	1,722	2,003
La Quinta High School	1,673	2,161	0	1,673	2,161
Marie L. Hare High School	371	392	0	371	392
<b>Total District (all sites)</b>	<b>38,214</b>	<b>46,936</b>	<b>322*</b>	<b>37,892</b>	<b>46,936</b>

\*Total based on extrapolation of error rate over the entire impacted population.

	Unadjusted	Adjusted	Difference
Unduplicated Pupil Percentage	81.42%	80.73%	
Base Grant Funding	\$ 361,767,730		
Supplemental Grant Funding at Target	20% \$ 58,908,267	\$ 58,411,584	\$ 496,683
Concentration Grant Funding at Target	50% \$ 47,784,541	\$ 46,542,834	1,241,707
Total Grant Funding at Target			1,738,390
Gap Percentage for 13/14			12%
Questioned Costs for 13/14			\$ 208,607

GARDEN GROVE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

---

FINDING #2014-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000), *continued*

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have supporting documentation to support their CALPADS designation.

**Current Year Status:** Not implemented, see finding #2015-1.