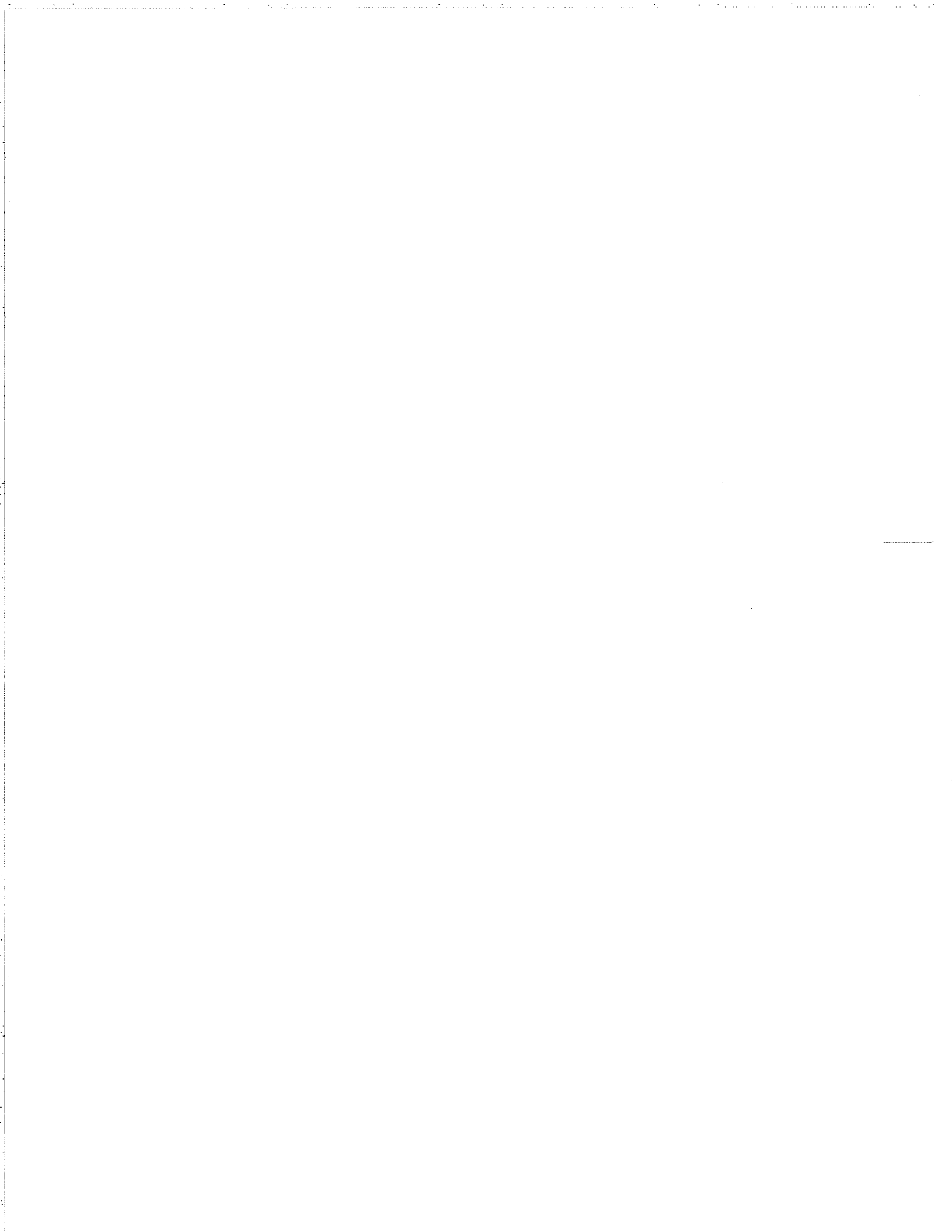


**EAST SIDE UNION  
HIGH SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2009**



EAST SIDE UNION HIGH SCHOOL DISTRICT

OF SANTA CLARA COUNTY

SAN JOSE, CALIFORNIA

JUNE 30, 2009

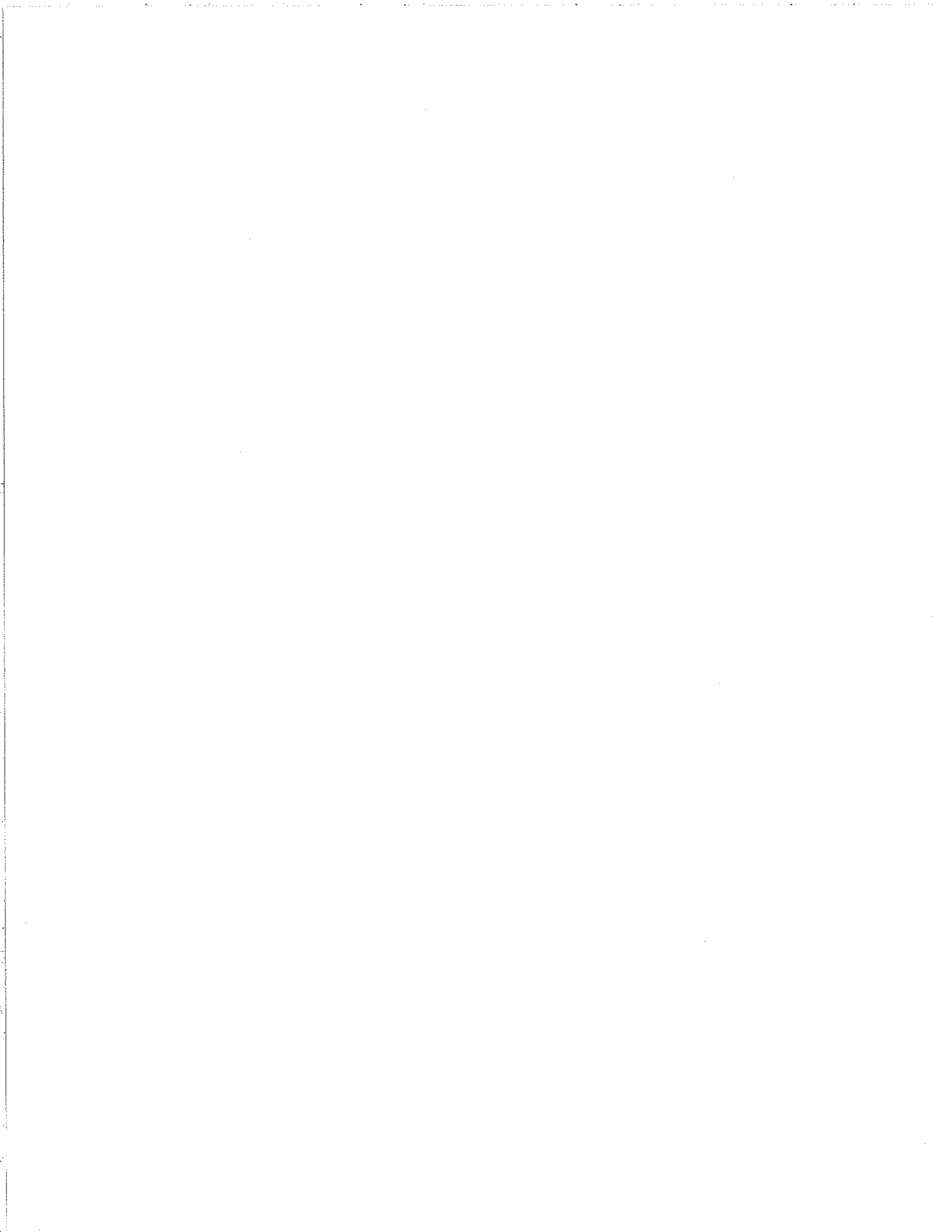
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BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patricia Martinez-Roach	President	2012
J. Manual Herrera	Vice President	2010
Frank Biehl	Clerk	2010
Eddie Garcia	Member	2010
Lan Nguyen	Member	2012

ADMINISTRATION

Bob Nunez	Superintendent
Jerry Kurr	Associate Superintendent for Administrative and Business Service



# EAST SIDE UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2009

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

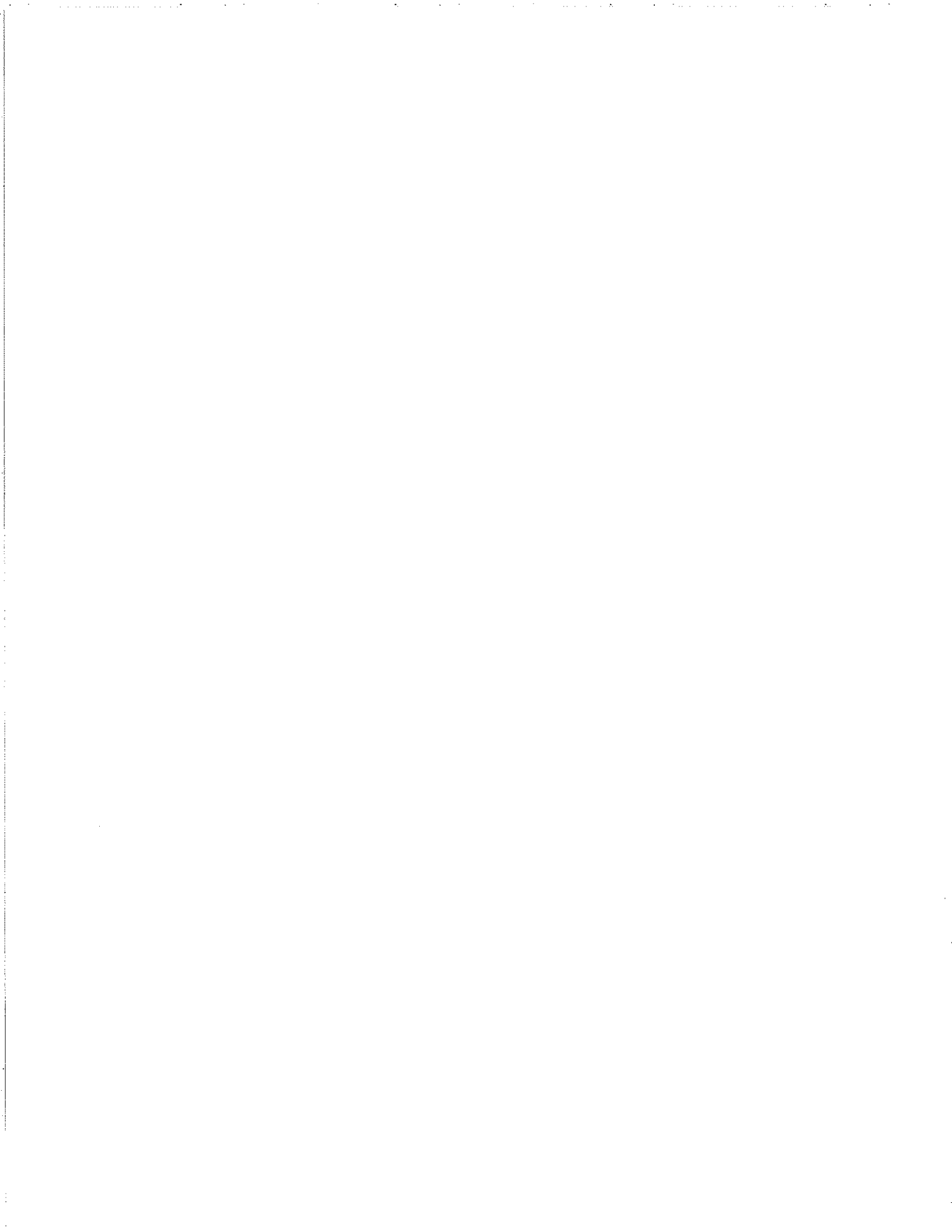
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*FINANCIAL SECTION*

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
East Side Union High School District  
San Jose, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the East Side Union High School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 12 and budgetary comparison and other postemployment information on pages 54 through 55, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinck, Trinc, Day & Co. LLP

Palo Alto, California  
December 15, 2009

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

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This section of East Side Union High School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follows this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by GASB Statement Number 34.

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

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

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

The Proprietary Funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Fiduciary Funds are agency funds, which are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the East Side Union High School District.

### **FINANCIAL HIGHLIGHTS OF THE PAST YEAR**

The following major financial highlights of the current year are:

- The enrollment reported in the 2008-09 California Basic Educational Data System (CBEDS) for the District was 25,057, which is a decrease of 215 while P2 ADA was 23,558, which is a decrease of 103 from the prior year.
- The District received an additional 5.66% cost of living adjustment to their revenue limit (COLA) or \$9 millions but revenue limit was reduced by 7.844% deficit factor or \$13.2 million. The overall impact to the District was a reduction in revenue limit in the amount of \$4.2 million.
- The District received \$256,034 in additional funding (8% increase from the prior year) in Title I funding and No Child Left Behind Program Improvement.
- The District received \$1,585,570 less than the prior year in Targeted Instructional Improvement Grant funding.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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- The District received \$7,376,721 of the \$13 million total grant, ARRA-State Fiscal Stabilization Fund in the current year.
- The District received \$952,921 of the \$4.68 million total grant, ARRA-IDEA for Special Education in the current year.
- The District received \$1.1 million of the \$2.4 million, ARRA-Title I Entitlement in the current year.
- The District received one-time insurance and other reimbursements of \$1,061,269.
- Based on the State 2009 Budget Act-Categorical Flexibility, SBX 34, the District transferred \$6.4 million from the restricted resources to the District's unrestricted General Fund.
- Special Education SELPA revenue dropped by \$1.2 million in the current year.
- The District reduced its workforce due to the budget reduction by the State. The District is currently employing 1,149 FTE Certificated Union employees; 584 FTE Classified Union employees and 72 FTE Administrative/Management employees by the General Fund.
- All employees had a 0% salary increase and an average of 4.8% increase in medical benefits.
- The District Measures G and E had completed the following projects in 2008-09:
  - Foothill – Science Labs in the amount of \$2,899,099.
  - Andrew Hill – Modernization of Building D Nutritional Services in the amount of \$1,465,800.
    - Landscape and Streetscape in the amount of \$1,066,416.
    - Modernization of Building 200, 300 & 900 – Restrooms in the amount of \$952,193.
    - New Restroom - \$594,622.
  - WC Overfelt – Modernization of building E Nutritional Services in the amount of \$1,242,891.
    - New Science Building in the amount of \$13,935,225.
    - New Modular Classroom Phase II in the amount of \$1,376,000.
  - Piedmont Hills – Modernization of Building H, J & I restrooms in the amount of \$845,000.
  - Oak Grove – New Building Q – Kiln Room Installation in the amount of \$187,000.
  - Silver Creek – New Marquee in the amount of \$132,384.
  - Yerba Buena – Modernization of Building 1200, Nutritional Services in the amount of \$1,058,000.
    - Modernization of Building 900 Vocational Education in the amount of \$5,050,000.
  - Independence – Modernization of Multiple Buildings and HVAC Upgrades in the amount of \$3,199,542.
    - Modernization of the existing Portable in the amount of \$145,000.
  - Santa Teresa – Modernization of Auditorium and Music Labs Building 600 in the amount of \$8,069,245.
  - Evergreen Valley – New Kiln Room Building B in the amount of \$130,000

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Assets and the Statement of Activities

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

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

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

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

**Business-type activities** - The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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### THE DISTRICT AS TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$64.4 and \$69.4 million for the fiscal years ended June 30, 2009 and 2008. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limits the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Current and other assets	\$ 217,361,443	\$ 265,437,768	\$ 2,066,341	\$ 148,146
Prepays for OPEB	20,785,417	20,407,246	-	-
Capital assets	422,748,744	378,772,318	146,167	163,991
<b>Total Assets</b>	<b>660,895,604</b>	<b>664,617,332</b>	<b>2,212,508</b>	<b>312,137</b>
Current liabilities	37,853,182	46,883,583	2,212,508	312,137
Long-term debt	558,622,762	548,329,454	-	-
<b>Total Liabilities</b>	<b>596,475,944</b>	<b>595,213,037</b>	<b>2,212,508</b>	<b>312,137</b>
Net assets				
Invested in capital assets, net of related debt	19,274,798	17,305,497	146,167	163,991
Restricted	40,949,673	41,236,729	74,127	99,131
Unrestricted	4,195,189	10,862,069	(220,294)	(263,122)
<b>Total Net Assets</b>	<b>\$ 64,419,660</b>	<b>\$ 69,404,295</b>	<b>\$ -</b>	<b>\$ -</b>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities in the audited financial statements. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 643,340	\$ 845,454	\$ 2,657,885	\$ 3,008,983
Operating grants and contributions	56,296,354	63,306,874	3,364,641	3,275,006
Capital grants and contributions	7,816,501	10,580,843	-	-
General revenues:				
State and federal sources	64,106,276	81,256,842	-	-
Taxes	125,461,126	118,240,762	-	-
Other general revenues	19,306,994	14,046,883	226,901	255,860
<b>Total Revenues</b>	<b>273,630,591</b>	<b>288,277,658</b>	<b>6,249,427</b>	<b>6,539,849</b>
<b>Expenses</b>				
Instruction related	182,253,184	182,088,429	-	-
Student support services	23,450,441	24,441,656	-	-
Administration	14,221,943	13,704,730	-	-
Maintenance and operations	28,239,884	28,325,312	-	-
Other outgo	3,708,772	4,679,698	-	-
Interest and other	26,741,002	24,009,386	6,249,427	6,539,849
<b>Total Expenses</b>	<b>278,615,226</b>	<b>277,249,211</b>	<b>6,249,427</b>	<b>6,539,849</b>
<b>Change in Net Assets</b>	<b>\$ (4,984,635)</b>	<b>\$ 11,028,447</b>	<b>\$ -</b>	<b>\$ -</b>

### Governmental Activities

As reported in the Statement of Activities in the audited financial statements, the cost of all of our governmental activities this year was \$278.6 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenues was only \$208.9 million because the cost was paid by those who benefited from the programs (\$0.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$64.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$125.4 million in taxes, and the remaining in State and Federal funds and with other revenues, like interest and general entitlements.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

**Table 3**

	<u>2009</u>	<u>2008</u>
Instruction and related services	\$ 131,438,927	\$ 123,839,067
Pupil services	15,784,905	15,079,629
General administration	12,808,491	12,582,263
Maintenance and operations	26,918,625	26,495,620
Interest	26,545,195	24,009,386
Other	362,887	510,075
<b>Totals</b>	<b>\$ 213,859,030</b>	<b>\$ 202,516,040</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$177.4 million, which was a decrease of \$36.9 million from last year.

#### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 25, 2009. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report).

The General Fund is the principal operating fund for the District. It is used to account for the ordinary operations of the District. The district received a 5.66% cost of living adjustment with a 7.844% deficit factor attachment or a net reduction of \$4.2 million to the General Fund. In addition, the District experienced a decline in its enrollment of 215. Other highlights includes receiving \$1.5 million less in Targeted Instructional Improvement Grant funding, an 8% increase in Title I funding in the amount of \$256,034 with also an additional \$1.1 million in Stimulus funding, an additional \$7.3 million in Stimulus State Fiscal Stabilization funding, an additional \$1 million in Stimulus Special Education funding and a one-time insurance and other reimbursements of \$1 million. As a result of the above factors, excluding the general reserve, the General Fund unrestricted fund balance decreased by \$2.25 million and restricted fund balance decreased by \$1.38 million

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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### CAPITAL ASSET & DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2009, the District had \$422.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$44.0 million, or 11.6 percent, from last year.

**Table 4**

	Governmental Activities		Business Activities	
	2009	2008	2009	2008
Land	\$ 25,442,454	\$ 5,327,942	\$ -	\$ -
Construction in progress	79,912,844	87,150,741	-	-
Buildings and improvements	399,210,317	359,975,562	-	-
Furniture and Equipment	14,215,935	13,233,282	505,422	505,422
Total Assets	518,781,550	465,687,527	505,422	505,422
Less Accumulated Depreciation	96,032,806	86,915,209	359,255	341,431
<b>Totals</b>	<b>\$ 422,748,744</b>	<b>\$ 378,772,318</b>	<b>\$ 146,167</b>	<b>\$ 163,991</b>

Several capital projects are planned for the 2009-2010 and 2010-2011 years. We anticipate capital additions to be approximately \$66 million for the two years.

The following Measures G and E projects are planned for fiscal year 2009-10:

- Foothill – Modernization of buildings B,C and E in the amount of \$2,538,226.
- James Lick – Title IX Field Work Scoreboard in the amount of \$97,969.
  - Child Development Center in the amount of \$5,900,000.
- Mount Pleasant – Title IX Field Work Dugout and Fence in the amount of \$34,989.
- WC Overfelt – Title IX Field Work in the amount of \$1,399,554.
- Piedmont Hills – Title IX Field Work Softball Field in the amount of \$718,317.
- Oak Grove – Title IX Field Work – Scoreboard in the amount of \$76,975.
  - Title IX Field Work Dugout and Fence in the amount of \$34,989.
- Silver Creek – Title IX Field Work Dugout and Fence in the amount of \$209,933.
- Independence – Title IX Field Work Scoreboard in the amount of \$132,258.
- Evergreen Title IX Field Work Dugout and Fence in the amount of \$97,969.

The following Measures G and E projects are planned for fiscal year 2010-11

- Foothill – Modernization of buildings B,C and E in the amount of \$2,538,226.
- Andrew Hill – Title IX Interior in the amount of \$2,144,364.
- James Lick – Title IX Interior in the amount of \$1,757,085.
- Mt. Pleasant Modernization of buildings 200, 600 and 800 in the amount of \$15,520,044.
- Overfelt - Title IX Interior in the amount of \$2,122,320.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

- Modernization of building C (South Wing) in the amount of \$3,711,480.
- Oak Grove – Modernization of building D in the amount of \$2,614,040.
  - Title IX Interior in the amount of \$1,427,967.
- Silver Creek Modernization – Title IX Interior in the amount of \$1,209,146.
- Yerba Buena – Modernization of building 700 in the amount of \$7,946,658.
  - Modernization of building 100 in the amount of \$716,716.
  - Title IX Interior in the amount of \$3,069,017.
- IHS - Title IX Interior in the amount of \$1,824,741.
- Santa Teresa - Title IX Interior in the amount of \$2,122,321.
  - Multi Purpose Building in the amount of \$3,327,051.
- EVHS – PE Teaching Stations in the amount of \$1,864,250.

**Long-Term Obligations**

The District issued its last series of Measure G in the amount of \$18,000,000. The procedures from the sale of Series H netted a total of \$18 million where were deposited into the District’s building fund.

**Table 5**

	<b>2009</b>	<b>2008</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
General obligation bonds	\$ 512,503,498	\$ 502,045,415
Premium	12,789,895	12,882,249
Defeasance costs	(2,196,783)	(2,341,937)
OPEB revenue bond	31,955,000	32,050,000
Capital Leases	570,040	778,980
Accumulated vacation - net	3,001,112	2,914,747
<b>Totals</b>	<b>\$ 558,622,762</b>	<b>\$ 548,329,454</b>

The District’s general obligation bond rating is "A+." The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the district’s boundaries. The District’s outstanding general obligation debt of \$512.5 million is below the statutorily imposed limit.

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-2009 ARE NOTED BELOW:**

In an attempt to improve student achievement and narrow the achievement gap the District implemented alternatives in setting up support classes within this program. The District core subject areas coordinators were also implementing professional development, recalibrating the bench mark assessments, and bringing the Special Education program into the fold by involving Special Education teachers in the development of courses that were aligned to the standards, yet were designed to support the special needs students. In addition, a concerted effort was made to implement the Academic Language training for the teachers to help and to support the English Learner (EL) students. In this year, the CAHSEE 10<sup>th</sup> grade passing rates for math exceeded the State average rates and the CAHSEE 10<sup>th</sup> grade passing rates for ELA emulated the State average rates. The District's graduation rate was higher than prior year by 2%. East Side Fitnessgram scored higher than the State average in all test areas. In 2008/09, The District's percentage of students passing the test increased by 7% bringing a total percent of students passing to 79%. The District used Measure E, Bond Funds to purchase an additional school site for special program students.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2009-2010 year, the District Board and management made the several assumptions. Among those assumptions is that the State will increase the general fund revenue limit cost of living adjustment (COLA) by 4.25% but reduce the revenue limit by an 18.355% deficit factor. In addition to the deficit factor, it is anticipated that the State will reduce the District's revenue limit by a one-time adjustment of \$252.83 per ADA or a total reduction of approximately \$6 million dollars. The District will be unable to issue Tax and Revenue Anticipation Notes (TRANS) due to financial market uncertainties. The District will receive additional Federal Economic Stimulus Grants in State Fiscal Stabilization Fund (SFSF), Special Education and Title I that will save certificated and classified employee jobs and assist the District in balancing its budget. The State allowed districts to remove any restriction on certain categorical programs (Tier III categorical programs) under the 2009 Budget Acts. These programs were transferred back to the General Unrestricted Fund Balance. Additionally, the Deferred Maintenance revenues can be used as unrestricted general fund revenues. The District will still provide a limited Summer Program for Special Education and credit make-ups. Special Education SELPA revenues are projected to slightly decrease by \$81 thousand. The District will maintain its increased class size of 3 additional students per classroom due to the State budget reduction.

### **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 the Chief Financial Officer, Business Services, at East Side Union High School District, 830 North Capitol Avenue, San Jose, California.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Deposits and investments	\$ 186,367,598	\$ 1,183,282	\$ 187,550,880
Receivables	20,813,924	808,932	21,622,856
Internal balances	2,150,923	(2,150,923)	-
Deferred charges	6,809,770	-	6,809,770
Prepaid expenses	1,038,399	-	1,038,399
Stores inventories	180,829	74,127	254,956
Other current assets	20,785,417	-	20,785,417
Capital assets not depreciated	105,355,298	-	105,355,298
Capital assets, net of accumulated depreciation	317,393,446	146,167	317,539,613
<b>Total assets</b>	<b>\$ 660,895,604</b>	<b>\$ 61,585</b>	<b>\$ 660,957,189</b>
<b>Liabilities</b>			
Accounts payable	\$ 23,878,106	\$ 61,585	\$ 23,939,691
Interest payable	8,394,405	-	8,394,405
Deferred revenue	4,229,172	-	4,229,172
Claim liability	1,351,499	-	1,351,499
Current portion of long-term obligations	12,742,033	-	12,742,033
Noncurrent portion of long-term obligations	545,880,729	-	545,880,729
<b>Total liabilities</b>	<b>596,475,944</b>	<b>61,585</b>	<b>596,537,529</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	19,274,798	146,167	19,420,965
Restricted for:			
Legally restricted	16,945,459	74,127	17,019,586
Debt service	14,459,776	-	14,459,776
Special revenue	552,978	-	552,978
Capital projects	6,244,764	-	6,244,764
Self Insurance	2,746,696	-	2,746,696
Unrestricted	4,195,189	(220,294)	3,974,895
<b>Total net assets</b>	<b>\$ 64,419,660</b>	<b>\$ -</b>	<b>\$ 64,419,660</b>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction	\$ 148,248,082	\$ 120,636	\$ 28,475,522	\$ 7,816,501
Instruction related activities:				
Supervision of instruction	15,459,160	10,203	11,133,118	-
Instructional library, media and technology	1,642,794	-	104,287	-
School site administration	16,903,148	32,835	3,121,155	-
Pupil services:				
Home-to-school transportation	3,865,581	450,675	1,892,047	-
Food services	299,434	-	38,703	-
All other pupil services	19,285,426	1,448	5,282,663	-
General administration:				
Data processing	3,257,634	-	-	-
All other general administration	10,964,309	20,020	1,393,432	-
Plant services	25,900,102	7,523	1,503,477	-
Ancillary services	2,339,782	-	6,065	-
Enterprise services	195,806	-	-	-
Interest on long-term obligations	26,545,195	-	-	-
Other outgo	3,708,772	-	3,345,885	-
<b>Total governmental-type activities</b>	<b>278,615,225</b>	<b>643,340</b>	<b>56,296,354</b>	<b>7,816,501</b>
<b>Business-type activities</b>				
Food services	6,249,427	2,657,885	3,364,641	-
<b>Total District</b>	<b>\$284,864,652</b>	<b>\$ 3,301,225</b>	<b>\$ 59,660,995</b>	<b>\$ 7,816,501</b>

General revenues and subventions:

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

**Subtotal, general revenues**

**Change in net assets**

- Net assets - beginning
- Net assets - ending

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



**Net (Expenses) Revenues and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (111,835,423)	\$ -	\$ (111,835,423)
(4,315,839)	-	(4,315,839)
(1,538,507)	-	(1,538,507)
(13,749,158)	-	(13,749,158)
(1,522,859)	-	(1,522,859)
(260,731)	-	(260,731)
(14,001,315)	-	(14,001,315)
(3,257,634)	-	(3,257,634)
(9,550,857)	-	(9,550,857)
(24,389,102)	-	(24,389,102)
(2,333,717)	-	(2,333,717)
(195,806)	-	(195,806)
(26,545,195)	-	(26,545,195)
(362,887)	-	(362,887)
(213,859,030)	-	(213,859,030)
-	(226,901)	(226,901)
(213,859,030)	(226,901)	(214,085,931)
92,725,458	-	92,725,458
32,631,990	-	32,631,990
103,678	-	103,678
64,106,276	-	64,106,276
4,020,694	-	4,020,694
15,286,299	226,901	15,513,200
208,874,395	226,901	209,101,296
(4,984,635)	-	(4,984,635)
69,404,295	-	69,404,295
\$ 64,419,660	\$ -	\$ 64,419,660

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 16,560,201	\$ 98,188,603	\$ 23,789,250	\$ 22,822,054
Receivables	18,006,570	411,775	94,684	32,127
Due from other funds	2,150,923	-	-	-
Stores inventories	180,829	-	-	-
<b>Total assets</b>	<b>\$ 36,898,523</b>	<b>\$ 98,600,378</b>	<b>\$ 23,883,934</b>	<b>\$ 22,854,181</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 21,127,824	\$ 2,291,608	\$ -	\$ -
Deferred revenue	4,010,601	-	-	-
<b>Total liabilities</b>	<b>25,138,425</b>	<b>2,291,608</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved for:				
Legally restricted balances	8,913,961	-	-	-
Other reservations	183,329	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	2,662,808	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	22,854,181
Capital projects funds	-	96,308,770	23,883,934	-
<b>Total fund balance</b>	<b>11,760,098</b>	<b>96,308,770</b>	<b>23,883,934</b>	<b>22,854,181</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,898,523</b>	<b>\$ 98,600,378</b>	<b>\$ 23,883,934</b>	<b>\$ 22,854,181</b>

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

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Non Major Governmental Funds	Total Governmental Funds
\$ 21,069,165	\$ 182,429,273
2,060,358	20,605,514
-	2,150,923
-	180,829
<u>\$ 23,129,523</u>	<u>\$ 205,366,539</u>

\$ 267,299	\$ 23,686,731
218,571	4,229,172
<u>485,870</u>	<u>27,915,903</u>

-	8,913,961
-	183,329

-	2,662,808
16,398,889	16,398,889
-	22,854,181
6,244,764	126,437,468
<u>22,643,653</u>	<u>177,450,636</u>
<u>\$ 23,129,523</u>	<u>\$ 205,366,539</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Amounts Reported for Governmental Activities in the Statement  
of Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 177,450,636</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 518,781,550
Accumulated depreciation is	<u>(96,032,806)</u>
	422,748,744
In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount.	208,410
Debt issuance costs are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.	6,809,770
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.	(8,394,405)
Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as a prepaid in the government-wide statements. On the governmental funds, the contribution are treated as expenditures.	20,434,172
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	3,785,095
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Long-term liabilities at year end consist of:	
Bonds payable	512,503,498
Defeasance cost	(2,196,783)
Premium	12,789,895
OPEB revenue bond	31,955,000
Capital leases payable	570,040
Compensated absences (vacations)	<u>3,001,112</u>
	(558,622,762)
<b>Total Net Assets - Governmental Activities</b>	<b>\$ <u>64,419,660</u></b>

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

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 155,126,808	\$ -	\$ -	\$ -
Federal sources	19,983,751	-	-	-
Other state sources	36,695,530	-	7,243,987	276,027
Other local sources	7,154,430	2,835,454	569,281	32,523,395
<b>Total Revenues</b>	<b>218,960,519</b>	<b>2,835,454</b>	<b>7,813,268</b>	<b>32,799,422</b>
<b>EXPENDITURES</b>				
Instruction	136,008,386	-	-	-
Instruction related activities:				
Supervision of instruction	14,164,627	-	-	-
Instructional library, media and technology	1,576,810	-	-	-
School site administration	13,823,566	-	-	-
Pupil Services:				
Home-to school transportation	3,885,694	-	-	-
Food services	26,803	-	-	-
All other pupil services	18,325,420	-	-	-
General administration:				
Data processing	3,129,300	-	-	-
All other general administration	10,105,644	-	-	-
Plant services	21,648,236	-	-	-
Facility acquisition and construction	-	54,645,026	200,000	-
Ancillary services	2,245,803	-	-	-
Other outgo	3,803,772	-	-	-
Debt service				
Principal	303,940	-	-	10,665,000
Interest and other	1,488,574	2,008,878	-	17,572,157
<b>Total Expenditures</b>	<b>230,536,575</b>	<b>56,653,904</b>	<b>200,000</b>	<b>28,237,157</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(11,576,056)</b>	<b>(53,818,450)</b>	<b>7,613,268</b>	<b>4,562,265</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,500,000	-	-	-
Other sources	-	18,000,000	-	-
Transfers out	(226,901)	(3,500,000)	-	-
<b>Net Financing Sources (Uses)</b>	<b>3,273,099</b>	<b>14,500,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(8,302,957)</b>	<b>(39,318,450)</b>	<b>7,613,268</b>	<b>4,562,265</b>
<b>Fund Balance - Beginning</b>	<b>20,063,055</b>	<b>135,627,220</b>	<b>16,270,666</b>	<b>18,291,916</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,760,098</b>	<b>\$ 96,308,770</b>	<b>\$ 23,883,934</b>	<b>\$ 22,854,181</b>

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

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,583,732	\$ 161,710,540
852,266	20,836,017
2,945,011	47,160,555
824,136	43,906,696
11,205,145	273,613,808
6,527,089	142,535,475
675,625	14,840,252
-	1,576,810
2,426,765	16,250,331
-	3,885,694
18,077	44,880
188,326	18,513,746
-	3,129,300
323,428	10,429,072
2,132,530	23,780,766
368,333	55,213,359
-	2,245,803
-	3,803,772
-	10,968,940
-	21,069,609
12,660,173	328,287,809
(1,455,028)	(54,674,001)
-	3,500,000
-	18,000,000
-	(3,726,901)
-	17,773,099
(1,455,028)	(36,900,902)
24,098,681	214,351,538
\$ 22,643,653	\$ 177,450,636

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ (36,900,902)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital Outlays	\$ 53,094,023	
Depreciation expense	<u>(9,117,598)</u>	43,976,425
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Vacation earned was more than the amounts used by \$86,365. <span style="float: right;">(86,365)</span>		
Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond. <span style="float: right;">(145,154)</span>		
Proceeds received from the sale of bonds are revenue sources in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities. <span style="float: right;">(18,000,000)</span>		
Bond issuance costs paid for the issuance of bonds are expenditures in the governmental funds, but they are capitalized as a deferred charge in the statement of net assets and amortized over the life of the bond in the statement of activities. <span style="float: right;">513,415</span>		
Bond premium proceeds received from issuance of bonds are a revenue source in the governmental funds, but they increase long-term liabilities in the statement of net assets and do not affect the statement of activities. <span style="float: right;">(513,415)</span>		
Amortization of premiums of the bonds is not a revenue source in the governmental funds, but is reflected as a revenue in the statement of activities. <span style="float: right;">605,769</span>		
Amortization of debt issuance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond. <span style="float: right;">(248,340)</span>		
In the governmental funds, the receipt of the special education settlement is reported as revenue in the year received. On the statement of net assets, the amount is recorded as a receivable and payment received in the current year reduces the receivable amount. <span style="float: right;">(103,908)</span>		

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



**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued) FOR THE YEAR ENDED JUNE 30, 2009**

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Accretion of interest on capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.			(3,123,083)
An excess contribution over the annual required contribution (ARC) to the other post-employment benefit plan is recognized as plan assets in the government-wide statements. On the governmental funds, the contribution is treated as expenses.			26,927
Repayment of the long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Debt repayment for the year were as follows:			
General Obligation Bonds	10,665,000		
Capital Leases	208,940		
Retiree Incentive	<u>95,000</u>	10,968,940	
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of these two factors.			(1,655,069)
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds.			
The net gain of the internal service fund is reported with the government-wide activities.			<u>(299,875)</u>
<b>Change in Net Assets - Government-Wide Activities</b>			<b><u>\$ (4,984,635)</u></b>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENTS OF NET ASSETS  
JUNE 30, 2009**

	<b>Business-Type Activities- Cafeteria Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 1,183,282	\$ 3,938,325
Receivables	808,932	-
Prepaid expenses	-	1,038,399
Stores inventories	74,127	-
Other current assets	-	351,245
<b>Total Current Assets</b>	<u>2,066,341</u>	<u>5,327,969</u>
<b>Noncurrent Assets</b>		
Furniture and equipment (net)	146,167	-
<b>Total Assets</b>	<u>2,212,508</u>	<u>5,327,969</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	61,585	191,375
Due to other funds	2,150,923	-
Claim liabilities	-	1,351,499
<b>Total Current Liabilities</b>	<u>2,212,508</u>	<u>1,542,874</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	146,167	-
Restricted	74,127	1,038,399
Unrestricted	(220,294)	2,746,696
<b>Total Net Assets</b>	<u>\$ -</u>	<u>\$ 3,785,095</u>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business-Type Activities- Cafeteria Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Federal grants	\$ 3,027,601	\$ -
State grants	246,178	-
Sales	2,657,886	-
Indistrict contributions	-	3,616,910
Other local revenue	90,846	(258,177)
<b>Total Operating Revenues</b>	<u>6,022,511</u>	<u>3,358,733</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	3,856,945	2,955
Supplies and materials	2,099,446	19,236
Equipment rental	35,671	16,774
Claims	-	3,373,181
Other operating cost	257,365	246,462
<b>Total Operating Expenses</b>	<u>6,249,427</u>	<u>3,658,608</u>
<b>Operating Income (Loss)</b>	<u>(226,916)</u>	<u>(299,875)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	15	-
Transfers In	226,901	-
<b>Total Nonoperating Revenues</b>	<u>226,916</u>	<u>-</u>
Change in net assets	-	(299,875)
<b>Total Net Assets - Beginning</b>	-	4,084,970
<b>Total Net Assets - Ending</b>	<u>\$ -</u>	<u>\$ 3,785,095</u>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business- Type Activities- Cafeteria Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 6,376,298	\$ -
Cash received from assessments made to other funds	-	3,358,733
Cash payments to employees for services	(2,776,998)	(2,955)
Cash payments for insurance claims	-	(2,712,706)
Cash payments to suppliers for goods and services	(2,339,064)	(36,242)
Net Cash Provided by Operating Activities	<u>1,260,236</u>	<u>606,830</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer in	<u>226,901</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>15</u>	<u>-</u>
Net increase in cash and cash equivalents	1,487,152	606,830
Cash and cash equivalents - Beginning	(303,870)	3,331,495
Cash and cash equivalents - Ending	<u>\$ 1,183,282</u>	<u>\$ 3,938,325</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating loss	\$ (226,916)	\$ (299,875)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	17,824	-
Changes in assets and liabilities:		
Receivables	335,963	12,930
Inventories	25,004	-
Prepaid expense	-	423,298
Account Payable	53,418	470,477
Due to other fund	<u>1,054,943</u>	<u>-</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,260,236</u>	<u>\$ 606,830</u>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENTS OF NET ASSETS  
JUNE 30, 2009**

	<u>Retiree Benefits</u>	<u>Scholarships</u>	<u>Student Bodies</u>
<b>ASSETS</b>			
Deposits and investments	\$ 15,695,555	\$ 84,382	\$ 2,452,805
<b>Total assets</b>	<u>\$ 15,695,555</u>	<u>\$ 84,382</u>	<u>\$ 2,452,805</u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ -	\$ 2,452,805
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>\$ 2,452,805</u>
<b>NET ASSETS</b>			
Unreserved	15,695,555	84,382	
<b>Total Net Assets</b>	<u>\$ 15,695,555</u>	<u>\$ 84,382</u>	

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>Retiree Benefits</u>	<u>Scholarships</u>
<b>ADDITIONS</b>		
Investment Income (loss)	\$ (3,300,302)	\$ -
<b>Total Additions</b>	<u>(3,300,302)</u>	<u>-</u>
<b>DEDUCTIONS</b>		
Operating expenditure	24,110	-
Scholarships awarded	-	4,150
<b>Total Deductions</b>	<u>24,110</u>	<u>4,150</u>
<b>Change in Net Assets</b>	(3,324,412)	(4,150)
<b>Net Assets - Beginning</b>	19,019,967	88,532
<b>Net Assets - Ending</b>	<u>\$ 15,695,555</u>	<u>\$ 84,382</u>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 -12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 2 adult education sites, 3 independent study programs, and 5 continuation schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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

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

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

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

**Special Reserve Fund for Postemployment Benefits** The Special Reserve Fund for Postemployment Benefits may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

**Capital Projects Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 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.).

**State School Building Lease-Purchase Fund** The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Food Service Operations of the District.

**Internal Service Fund** Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and vision insurance program that is accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The District operates trust and agency fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB). Trust funds are used to account for the assets held by the District under a trust agreement for individuals and therefore not available to support the District's own programs. The District's trust fund is the Student Scholarship Fund and Retiree Benefit Trust Fund.

### **Basis of Accounting - Measurement Focus**

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

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

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**Deferred Revenue** Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. In general, capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; and equipment, 2 to 10 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

### **Deferred Issuance Costs, Premiums, Discounts and Defeasance Costs**

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

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales and in district contributions to the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

### **Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

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

### **Budgetary Data**

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

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

### **Property Tax**

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 182,429,273
Proprietary	5,121,607
Fiduciary funds	<u>18,232,742</u>
Total Deposits and Investments	<u>\$ 205,783,622</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 4,511,712
Cash in revolving	2,600
Investments	<u>201,269,310</u>
Total Deposits and Investments	<u>\$ 205,783,622</u>

#### Policies and Practices

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

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and other investment pools and having the Pool purchase a combination of shorter term and longer term investments.

Investment Type	Cost	Fair Value	Weighted Average Maturity in Years
Treasury Notes	\$ 6,279,124	\$ 6,279,124	3.03
Mutual Funds	23,024,153	23,024,153	0.00
County Pool	171,466,033	172,126,177	0.82
Certificate of Deposits	500,000	500,000	0.27
Total	<u>\$ 201,269,310</u>	<u>\$ 201,929,454</u>	

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy and the actual rating as of the year-end for each investment type.

Investment Type	Cost	Fair Value	Exempt from Rating	Rating as of Year End
Treasury Notes	\$ 6,279,124	\$ 6,279,124	\$ 6,279,124	Not applicable
Mutual Funds	23,024,153	23,024,153	Not applicable	Not rated
County Pool	171,466,033	172,126,177	Not applicable	Not rated
Certificate Deposit	500,000	500,000	Not applicable	Not rated
Total	<u>\$ 201,269,310</u>	<u>\$ 201,929,454</u>		

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, District bank balances of \$2,280,319 were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 3 – RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Funds
Federal Government					
Categorical aid	\$ 4,122,221	\$ -	\$ -	\$ -	\$ 204,755
State Government					
Apportionment	8,042,966	-	-	-	1,713,830
Categorical aid	972,375	-	-	-	31,533
Lottery	1,636,744	-	-	-	-
Interest	89,628	411,725	94,684	32,127	50,553
Other Local Sources	3,142,636	50	-	-	59,687
Total	<u>\$18,006,570</u>	<u>\$411,775</u>	<u>\$ 94,684</u>	<u>\$ 32,127</u>	<u>\$2,060,358</u>

	Total	Proprietary
Federal Government		
Categorical aid	\$ 4,326,976	\$ 766,610
State Government		
Apportionment	9,756,796	-
Categorical aid	1,003,908	42,322
Lottery	1,636,744	-
Local Government		
Interest	678,717	-
Other Local Sources	3,202,373	-
Total	<u>\$20,605,514</u>	<u>\$ 808,932</u>

The District also had \$208,410 in mandated special education long-term receivables recorded in the government-wide statements.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 5,327,942	\$ 20,114,512	\$ -	\$ 25,442,454
Construction in Progress	87,150,741	52,381,935	59,619,832	79,912,844
Total Capital Assets not being depreciated	92,478,683	72,496,447	59,619,832	105,355,298
Capital Assets being depreciated:				
Buildings	345,776,087	38,974,708	-	384,750,795
Site Improvement	14,199,475	260,047	-	14,459,522
Equipment	13,233,282	982,653	-	14,215,935
Total Capital Assets being depreciated	373,208,844	40,217,408	-	413,426,252
Total Capital Assets	465,687,527	112,713,855	59,619,832	518,781,550
Less Accumulated Depreciation:				
Buildings	74,040,044	8,126,776	-	82,166,820
Site Improvement	2,133,574	485,681	-	2,619,255
Equipment	10,741,591	505,140	-	11,246,731
Total Accumulated Depreciation	86,915,209	9,117,597	-	96,032,806
Governmental Activities Capital Assets, Net	<u>\$ 378,772,318</u>	<u>\$ 103,596,258</u>	<u>\$ 59,619,832</u>	<u>\$ 422,748,744</u>
<b>Business-Type Activities</b>				
Furniture and Equipment	\$ 505,422	\$ -	\$ -	\$ 505,422
Less Accumulated Depreciation	341,431	17,824	-	359,255
Business-Type Activities Capital Assets, Net	<u>\$ 163,991</u>	<u>\$ (17,824)</u>	<u>\$ -</u>	<u>\$ 146,167</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

<b>Governmental Activities</b>	
Instruction	\$ 5,909,942
Supervision of Instruction	616,283
Instructional Library & Media	65,490
School Site Administration	673,848
Home to School Transportation	154,102
Food Services	252,651
All Other Pupil Services	768,818
Ancillary Services	93,276
Enterprise Activities	7,806
All General Administration	445,516
Data Processing Services	129,866
Total Depreciation Expenses, Governmental Activities	<u>\$ 9,117,597</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2009, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

Due From	<u>Due To</u> <u>Cafeteria Fund</u>
General Fund	<u>\$ 2,150,923</u>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

	Transfer Out	Transfer In	
		General Fund	Cafeteria Fund
General Fund	\$ -	\$ 226,901	\$ 226,901
Building Fund	3,500,000	-	3,500,000
Total	<u>\$3,500,000</u>	<u>\$ 226,901</u>	<u>\$ 3,726,901</u>

The Building fund transferred to General fund for routine repair and maintenance reimbursements.

\$ 3,500,000

The General fund transferred to Cafeteria Enterprise fund for encroachment.

226,901

\$ 3,726,901

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

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2009, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 2,378,650	\$2,289,771	\$ 32,058	\$ 4,700,479	\$ 252,960
State apportionment	2,395,106	-	-	2,395,106	-
Salaries and benefits	16,353,859	1,837	228,732	16,584,428	-
Interest payable	209	-	6,509	6,718	-
Total	<u>\$21,127,824</u>	<u>\$2,291,608</u>	<u>\$ 267,299</u>	<u>\$23,686,731</u>	<u>\$ 252,960</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue at June 30, 2009, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 2,204,692	\$ 21,784	\$ 2,226,476
State categorical aid	254,859	47,846	302,705
Other local	1,551,050	148,941	1,699,991
Total	<u>\$ 4,010,601</u>	<u>\$ 218,571</u>	<u>\$ 4,229,172</u>

**NOTE 8 – LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$ 502,045,415	\$ 21,123,083	\$ 10,665,000	\$ 512,503,498	\$ 11,615,000
Premium	12,882,249	513,415	605,769	12,789,895	626,306
Defeasance costs	(2,341,937)	-	(145,154)	(2,196,783)	(145,154)
OPEB revenue bonds	32,050,000	-	95,000	31,955,000	140,000
Capital leases	778,980	-	208,940	570,040	205,881
Accumulated vacation - net	2,914,747	86,365	-	3,001,112	300,000
	<u>\$ 548,329,454</u>	<u>\$ 21,722,863</u>	<u>\$ 11,429,555</u>	<u>\$ 558,622,762</u>	<u>\$ 12,742,033</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2009
<b>Current Interest Bond</b>							
1991B	2011	3.8%-6.8%	\$ 10,000,000	\$ 555,000	\$ -	\$ 270,000	\$ 285,000
1999 Refunding	2010	3.7%-4.8%	20,900,000	5,440,000	-	940,000	4,500,000
2002B	2027	2.5%-5.5%	30,000,000	27,335,000	-	865,000	26,470,000
2003 Refunding	2022	3.0%-4.6%	36,795,000	30,390,000	-	1,595,000	28,795,000
1999C	2024	3.1%-5.0%	24,500,000	22,355,000	-	710,000	21,645,000
2003 Refunding	2025	2.0%-5.3%	97,160,000	81,290,000	-	2,195,000	79,095,000
2002 Series C	2029	4.0%-5.0%	50,000,000	46,610,000	-	1,300,000	45,310,000
2002 Series D	2030	3.5%-5.0%	70,000,000	68,305,000	-	1,880,000	66,425,000
2003 Series F	2036	4.0%-5.0%	50,000,000	49,290,000	-	910,000	48,380,000
2006 Refunding	2036	4.0%-5.25%	42,665,000	42,665,000	-	-	42,665,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	11,545,000	-	-	11,545,000
2008 Series A	2039	4.0%-5.0%	50,000,000	50,000,000	-	-	50,000,000
2002 Series H	2034	5.1%-6.0%	18,000,000	-	18,000,000	-	18,000,000
Sub-Total			<u>493,565,000</u>	<u>435,780,000</u>	<u>18,000,000</u>	<u>10,665,000</u>	<u>443,115,000</u>
<b>Capital Appreciation</b>							
1991 Series F	2011	4.9%	2,999,956	4,328,685	249,990	-	4,578,675
1999 Series A	2025	5.3%-6.5%	25,499,993	5,324,233	408,350	-	5,732,583
2002 Series E	2030	4.2%-5.1%	29,999,529	35,728,174	1,646,994	-	37,375,168
2002 Series G	2032	4.60%-6.9%	19,997,739	20,884,323	817,749	-	21,702,072
Sub-Total			<u>78,497,217</u>	<u>66,265,415</u>	<u>3,123,083</u>	<u>-</u>	<u>69,388,498</u>
<b>Total General Obligation Bonds</b>			<u>\$ 572,062,217</u>	<u>\$ 502,045,415</u>	<u>\$ 21,123,083</u>	<u>\$ 10,665,000</u>	<u>\$ 512,503,498</u>



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Debt Service Requirements to Maturity

The bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 13,069,566	\$ 20,142,059	\$ 33,211,625
2011	14,110,390	19,742,678	33,853,068
2012	14,778,582	19,864,729	34,643,311
2013	15,575,877	20,680,385	36,256,262
2014	16,025,000	18,939,067	34,964,067
2015-2019	99,815,954	89,889,317	189,705,271
2020-2024	136,484,919	73,499,856	209,984,775
2025-2029	122,154,048	57,198,202	179,352,250
2030-2034	47,452,347	36,910,953	84,363,300
2035-2039	19,930,000	2,476,870	22,406,870
subtotal	<u>499,396,683</u>	<u>\$ 359,344,116</u>	<u>\$ 858,740,799</u>
Accretion to date	13,106,815		
Total	<u>\$ 512,503,498</u>		

### Defeased Bonded Debts

The District has defeased various bond issues by creating separate irrevocable trust funds through the years. New debt has been issued and the proceeds have been used to purchase U. S. government securities and placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long Term Obligations. As of June 30, 2009, the total amount of defeased debt outstanding but removed from the Long-Term Obligations is \$128,524,429.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### OPEB (Other Post Employment Benefit) Revenue Bond

The District issued the bonds to refinance the District's obligation to pay certain healthcare and retirement benefits for certain retired District employees and to pay the costs of issuance of the Bonds. The Bonds are not subject to debt limitations of the California Constitution and principal of and interest on the Bonds is payable from any source of legally available funds of the District, including amounts on deposit in the General Fund of the District.

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
				Outstanding July 1, 2008	Redeemed	Outstanding June 30, 2009
OPEB Bonds	2036	5.18%-5.32%	\$ 32,050,000	\$ 32,050,000	\$ 95,000	\$ 31,955,000

### Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 140,000	\$ 1,692,593	\$ 1,832,593
2011	180,000	1,685,341	1,865,341
2012	230,000	1,676,017	1,906,017
2013	280,000	1,664,103	1,944,103
2014	330,000	1,649,599	1,979,599
2015-2019	2,590,000	7,928,389	10,518,389
2020-2024	4,535,000	7,065,114	11,600,114
2025-2029	7,220,000	5,593,980	12,813,980
2030-2034	10,840,000	3,310,902	14,150,902
2035-2036	5,610,000	452,998	6,062,998
Total	<u>\$ 31,955,000</u>	<u>\$ 32,719,036</u>	<u>\$ 64,674,036</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$3,001,112.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Capital Leases

The District's liabilities on lease agreements with options to purchase are summarized below:

	Capital Leases
Balance, July 1, 2008	\$ 778,980
Payments	208,940
Balance, June 30, 2009	<u>\$ 570,040</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 205,881
2011	205,639
2012	205,639
Total	<u>617,159</u>
Less: Amount Representing Interest	47,119
Present Value of Minimum Lease Payments	<u>\$ 570,040</u>

### Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was \$3,404,936 and contributions made by the District during the year were \$3,431,863, which resulted in a net OPEB asset of \$20,434,172. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	General	Building	County School Facilities
Reserved			
Revolving cash	\$ 2,500	\$ -	\$ -
Stores inventory	180,829	-	-
Restricted programs	8,913,961	-	-
Total Reserved	<u>9,097,290</u>	<u>-</u>	<u>-</u>
Undesignated	2,662,808	96,308,770	23,883,934
Total Unreserved	<u>2,662,808</u>	<u>96,308,770</u>	<u>23,883,934</u>
Total	<u>\$ 11,760,098</u>	<u>\$ 96,308,770</u>	<u>\$ 23,883,934</u>

	Bond		
	Interest and Redemption	Nonmajor Governmental	Total
Reserved			
Revolving cash	\$ -	\$ -	\$ 2,500
Stores inventory	-	-	180,829
Restricted programs	-	-	8,913,961
Total Reserved	<u>-</u>	<u>-</u>	<u>9,097,290</u>
Undesignated	22,854,181	22,643,653	173,023,412
Total Unreserved	<u>22,854,181</u>	<u>22,643,653</u>	<u>173,023,412</u>
Total	<u>\$ 22,854,181</u>	<u>\$ 22,643,653</u>	<u>\$ 182,120,702</u>

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the East Side Union High School District. The Plan provides medical insurance benefits to eligible retirees. Benefits currently are offered to employees who attain age 55 with at least 20 years of service. For grandfathered employees benefits are offered for lifetime where as under the new plan agreements which cover the majority of the plan beneficiaries, benefits are offered until age 65. Classified employees who retired before July 1, 1994 and other employees who retired before September 1, 1990 receive spousal benefits. Membership of the Plan consists of 526 retirees and beneficiaries currently receiving benefits and 538 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the East Side Teacher Association (ESTA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, ESTA, and CSEA. In the current year the District's contribution was only in the form of a pay-as-you-go in the amount of \$3,431,863.

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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	\$ (3,404,937)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>(3,404,937)</u>
Contributions made	<u>3,431,863</u>
Increase in net OPEB asset	26,926
Net OPEB asset, beginning of year	<u>20,407,246</u>
Net OPEB asset, end of year	<u><u>\$ 20,434,172</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30, 2009	Amount Contributed	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2009	\$ 3,431,863	\$ 3,404,937	101%	\$ 20,434,172

### Funded Status and Funding Progress

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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### **Actuarial Methods and Assumptions**

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

In the May 1, 2008 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 4 percent to an ultimate rate in line with general inflation (3%). The UAAL is being amortized at a flat dollar amount method. The remaining amortization period at June 30, 2009, was 25 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2009, the Trust held net assets in the amount of \$15,695,555, all of which were invested with the Self Insured Schools of California (SISC) GASB 45 Trust, in which the majority of the amounts are invested in mutual funds.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2009, the District contracted with Northern California Regional Liability Excess Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2009, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Santa Clara County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group selection criteria.

#### **Claims Liabilities**

The District records an estimated liability for its self-insured health benefit programs. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### Unpaid Claims Liabilities

The Internal Service fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2009:

	Health Benefits
Liability Balance, June 30, 2007	\$ 896,320
Claims and changes in estimates	3,378,683
Claims payments	<u>(3,203,836)</u>
Liability Balance, June 30, 2008	1,071,167
Claims and changes in estimates	3,373,181
Claims payments	<u>(3,092,849)</u>
Liability Balance, June 30, 2009	1,351,499
Assets available to pay claims at June 30, 2009	<u>\$ 5,136,594</u>

### NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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).

#### 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, annual cost-of-living adjustments, 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.

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary 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 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$9,773,349, \$9,834,843, and \$9,322,780, respectively, and equal 100 percent of the required contributions for each year.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### 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 survivor 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.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$3,168,168, \$3,222,593, and \$2,825,791, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,351,098, \$5,381,771 and \$5,098,661 (4.517 percent of annual payroll) for the years ending June 30, 2009, 2008 and 2007, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been recorded in the financial statements, but they are not included in the budgeted revenues and expenditures of the District. These amounts have been excluded from the computation of the available reserves percentage.



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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### **NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of Northern California Regional Liability Excess Fund JPA (Nor-Cal ReLiEF), Santa Clara County Schools Insurance Group (SCCSIG) and Metropolitan Education District (MED). The District pays an annual premium to the North California Regional Liability Excess Fund for its property liability insurance and Santa Clara County Schools Insurance Group for its workers' compensation coverage. In addition, the Metropolitan Education District operates the vocational classes for the District. The relationships among the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the governing board of Metropolitan Education District.

During the year ended June 30, 2009, the District made payments of \$1,237,232, \$5,436,419 and \$3,252,729 to North California Regional Liability Excess Fund, Santa Clara County Schools Insurance Group and Metropolitan Education District, respectively.

### **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

#### **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, 2009.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Andrew Hill Modernization	\$ 335,535	June 2010
Foothill Modernization	808,445	June 2010
James Lick Modernization	59,858	June 2010
Independence Modernization	160,283	June 2010
Mount Pleasant Modernization	550,886	June 2010
Oak Grove Modernization	53,091	June 2010
Piedmont Modernization	114,099	June 2010
Santa Teresa Modernization	1,044,953	June 2010
Silver Creek Modernization	1,089,417	June 2010
W.C. Overfelt Modernization	1,690,990	June 2010
Yerba Buena Modernization	757,249	June 2010
Program Management Fees-All Sites	975,813	June 2010
Apollo Modular Classrooms	282,678	June 2010
W. C. Overfelt & Independence Adult Centers	187,105	June 2010
Program Management Fees-All Sites	975,813	June 2011
Foothill Modernization	28,136	June 2011
Andrew Hill Modernization	129,189	June 2011
Foothill Modernization	421,385	June 2011
James Lick Modernization	3,642,902	June 2011
Independence Modernization	290,757	June 2011
Mount Pleasant Modernization	4,693,753	June 2011
Oak Grove Modernization	675,578	June 2011
Piedmont Modernization	1,492,853	June 2011
Santa Teresa Modernization	841,119	June 2011
Silver Creek Modernization	2,076,069	June 2011
W.C. Overfelt Modernization	1,175,203	June 2011
Yerba Buena Modernization	1,837,272	June 2011
Evergreen Modernization	305,149	June 2011
W. C. Overfelt & Independence Adult Centers	1,653,199	June 2011
Program Management Fees-All Sites	15,308,653	June 2011
Total	<u>\$ 43,657,432</u>	

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### NOTE 15 – CATEGORICAL PROGRAMS ADJUSTMENT

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification of by the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No .33, an adjustment to reduce revenue and the related receivable have been included in these financial statements. The total adjustment of \$4,670,066 was recorded as a reduction of State revenues and accounts receivable.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variances
	(GAAP Basis)			Final
	Original	Final		to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 159,530,697	\$ 154,891,277	\$ 155,126,808	\$ 235,531
Federal sources	10,869,330	20,008,172	19,983,751	(24,421)
Other state sources	34,900,343	31,785,160	31,344,432	(440,728)
Other local sources	10,090,491	10,284,810	7,154,430	(3,130,380)
<b>Total Revenues<sup>1</sup></b>	<b>215,390,861</b>	<b>216,969,419</b>	<b>213,609,421</b>	<b>(3,359,998)</b>
<b>EXPENDITURES</b>				
Instruction	134,764,667	132,913,616	130,657,288	2,256,328
Instruction related activities:				
Supervision of instruction	14,655,366	15,171,614	14,164,627	1,006,987
Instructional library, media, and technology	2,150,429	1,499,842	1,576,810	(76,968)
School site administration	13,833,051	15,098,303	13,823,566	1,274,737
Pupil services:				
Home-to-school transportation	4,445,248	4,040,007	3,885,694	154,313
Food services	25,486	14,272	26,803	(12,531)
All other pupil services	18,422,577	17,964,012	18,325,420	(361,408)
General administration:				
Data processing	3,297,952	3,400,256	3,129,300	270,956
All other general administration	8,388,263	8,340,440	10,105,644	(1,765,204)
Plant services	21,457,593	21,448,472	21,648,236	(199,764)
Ancillary services	2,434,609	2,557,578	2,245,803	311,775
Other outgo	4,063,785	3,549,559	3,803,772	(254,213)
Debt service				
Principal	-	-	303,940	(303,940)
Interest	1,792,514	1,792,514	1,488,574	303,940
<b>Total Expenditures<sup>1</sup></b>	<b>229,731,540</b>	<b>227,790,485</b>	<b>225,185,477</b>	<b>2,605,008</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(14,340,679)</b>	<b>(10,821,066)</b>	<b>(11,576,056)</b>	<b>(754,990)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,081,507	3,500,000	3,500,000	-
Transfers out	(200,000)	(335,630)	(226,901)	108,729
<b>Net Financing Sources (Uses)</b>	<b>2,881,507</b>	<b>3,164,370</b>	<b>3,273,099</b>	<b>108,729</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(11,459,172)</b>	<b>(7,656,696)</b>	<b>(8,302,957)</b>	<b>(646,261)</b>
Fund Balance - Beginning	20,063,055	20,063,055	20,063,055	-
Fund Balance - Ending	\$ 8,603,883	\$ 12,406,359	\$ 11,760,098	\$ (646,261)

<sup>1</sup> On behalf payments of \$5,351,098 are not included in the actual or budgeted revenues and expenditures.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2009**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
May 1, 2008	\$ -	\$ 38,870,849	\$ 38,870,849	0.00%	\$ 119,206,551	33%

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*SUPPLEMENTARY INFORMATION*

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Grants:			
Title IV, Physical Fitness Grant	84.215F	[2]	\$ 264,567
Title IV, Smaller Learning Communities	84.215L	[2]	367,232
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	3,386,370
Title I, Part A, Program Improvement	84.010	14955	123,187
Title I, Part C, Migrant Education	84.011	14326	291,149
Title II, Part A, Teacher Quality	84.367	14341	1,037,862
Title II, Part A, Administrator Training	84.367	14344	9,315
Title II, Part D, Enhancing Education Through Technology	84.318	14334	62,380
Title III, Limited English Proficiency	84.365	10084	517,136
Title III, Immigrant Education Program	84.365	14346	127,888
Title IV, Part A, Drug-Free Schools	84.186	14347	65,348
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,369,115
California Preschool Instructional Network	84.173	14530	21,190
School-Age Child Care Resource Contracts	93.575	13941	2,012
Workability II, Transition Partnership	84.158	10006	372,584
Carl Perkins Act:			
Voc & Applied Technology Secondary II C, Section 131	84.048	13929	566,522
Postsecondary and Adult Section 132	84.048	13923	112,589
Adult Education Act:			
Adult Education: Adult Secondary Education	84.002	13978	27,897
Adult Basic Education and English as Second Language	84.002A	14508	592,169
Subtotal			<u>12,316,512</u>

See accompanying note to supplementary information.



**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Passed through California Department of Education (CDE):

Child Development Act:

Head Start	93.600	10016	190,932
Medi-Cal Billing Option	93.778	10013	71,130
Refugee Children Supplemental Assistance Program	93.576	24791	336,480
Subtotal			<u>598,542</u>

**U.S. DEPARTMENT OF AGRICULTURE**

Passed through California Department of Education (CDE):

Basic Breakfast	10.553	13525	16,436
Needy Breakfast	10.553	13390	869,303
National School Lunch	10.555	13755	2,118,401
Meal Supplement	10.553	13390	23,461
Commodity Supplemental Food Program <sup>[1]</sup>	10.565	02288	173,715
Subtotal			<u>3,201,316</u>

**U.S. DEPARTMENT OF DEFENSE**

Junior Reserve Officer Training Corp; JROTC	12.000	<sup>[2]</sup>	544,243
Total <sup>[3]</sup>			<u>\$16,660,613</u>

[1] Not recorded in the financial statements.

[2] The grants are direct grants. No pass-through entity identifying numbers are available.

[3] The financial statements include \$7,376,721 in unspent State Stabilization grant that has not been expensed as of June 30, 2009.

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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### ORGANIZATION

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 2 adult education sites, three independent study programs, and five continuation schools.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patricia Martinez-Roach	President	2012
J. Manual Herrera	Vice President	2010
Frank Biehl	Clerk	2010
Eddie Garcia	Member	2010
Lan Nguyen	Member	2012

### ADMINISTRATION

Bob Nunez	Superintendent
Jerry Kurr	Associate Superintendent for Administrative and Business Service

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Amended Second Period Report	Annual Report
<b>SECONDARY</b>		
Regular classes	21,893	21,719
Continuation education	557	559
Opportunity schools	16	15
Home and hospital	29	33
Special education	1,063	1,058
Total Secondary	23,558	23,384
<b>REGIONAL OCCUPATIONAL PROGRAM CLASSES FOR ADULTS</b>	987	1,051
Concurrently enrolled	71	85
Not concurrently enrolled	2,331	2,933
Total Classes for Adults	2,402	3,018
Grand Total	26,947	27,453
		<u>Hours of Attendance</u>
<b>SUPPLEMENTAL INSTRUCTIONAL HOURS</b>		
High school		953,428
Total Hours		953,428

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12		64,800		180	N/A	
Grade 9	61,893	--	64,910	--	--	Complied
Grade 10	61,893	--	64,910	--	--	Complied
Grade 11	61,893	--	64,910	--	--	Complied
Grade 12	61,893	--	64,910	--	--	Complied

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u>General</u>	<u>Building</u>
FUND BALANCE		
Balance, June 30, 2009, Unaudited Actuals	\$ 16,430,164	\$ 98,317,648
Decrease in cash		(2,008,878)
(Decrease) in:		
Account receivable	<u>(4,361,259)</u>	
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 12,068,905</u>	<u>\$ 96,308,770</u>

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 <sup>1</sup>	2009	2008	2007
<b>GENERAL FUND</b>				
Revenues	\$ 205,466,975	\$ 218,960,519	\$ 227,015,883	\$ 238,004,176
Other sources	2,000,000	3,500,000	9,030,167	4,372,945
Total Revenues and Other Sources	207,466,975	222,460,519	236,046,050	242,377,121
Expenditures	209,212,033	230,536,575	237,627,901	227,425,292
Other uses and transfers out	200,000	226,901	1,917,748	702,330
Total Expenditures and Other Uses	209,412,033	230,763,476	239,545,649	228,127,622
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,945,058)	\$ (8,302,957)	\$ (3,499,599)	\$ 14,249,499
ENDING FUND BALANCE	\$ 9,815,040	\$ 11,760,098	\$ 20,063,055	\$ 23,562,654
AVAILABLE RESERVES <sup>2</sup>	\$ 12,884,511	\$ 14,568,692	\$ 16,650,271	\$ 17,307,172
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>4</sup>	6.15%	6.46%	7.11%	7.76%
LONG-TERM OBLIGATIONS	\$ 545,880,729	\$ 558,622,762	\$ 548,329,454	\$ 486,568,372
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	23,799	23,558	23,660	23,374

The General Fund balance has decreased by \$7,132,490 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$1,945,05 on the ending fund balance. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus three years ago and operating deficits in the past two years and anticipates incurring an operating deficit during the 2009-2010 fiscal year. Total long-term obligations have increased by \$72,054,390 over the past two years.

Average daily attendance has increased by 184 over the past two years. An increase of 241 ADA is anticipated during fiscal year 2009-2010.

<sup>1</sup> Budget 2010 is included for analytical purposes only and has not been subjected to an audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund. In accordance with state guidelines, available reserves include \$4,670,666 of categorical receivables that were reverted and adjusted out as of June 30, 2009.

<sup>3</sup> Excludes Adult Education and ROP ADA.

<sup>4</sup> On-behalf payments of \$5,351,098, \$5,381,771, and \$5,098,661 for 2009, 2008 and 2007 have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2009, 2008, and 2007 respectively.

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2009**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Youth Outreach Academy/Vocational	No
Escuela Popular Accelerated Family Learning	No
Escuela Popular/Center for Training & Careers Family Learning	No
Latino College Preparatory Academy	No
MACSA Academia Calmecac	No
San Jose Conservation Corps Charter	No

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Non-Capital Fund</u>
<b>ASSETS</b>				
Deposits and investments	\$ (1,730,343)	\$ 207,134	\$ 588,983	\$ 7,217,985
Receivables	1,902,866	63,206	493	17,833
<b>Total assets</b>	<u>\$ 172,523</u>	<u>\$ 270,340</u>	<u>\$ 589,476</u>	<u>\$ 7,235,818</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 171,523	\$ 52,769	\$ 36,498	\$ -
Deferred revenue	1,000	217,571	-	-
<b>Total liabilities</b>	<u>172,523</u>	<u>270,340</u>	<u>36,498</u>	<u>-</u>
<b>Fund Balances:</b>				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	552,978	7,235,818
Capital projects funds	-	-	-	-
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>552,978</u>	<u>7,235,818</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 172,523</u>	<u>\$ 270,340</u>	<u>\$ 589,476</u>	<u>\$ 7,235,818</u>

See accompanying note to other supplementary information.



<b>Retiree Benefits Special Reserve Fund</b>	<b>Capital Facilities Fund</b>	<b>State School Building Fund</b>	<b>Total Non Major Governmental Funds</b>
\$ 8,603,030	\$ 6,057,535	\$ 124,841	\$ 21,069,165
7,063	68,400	497	2,060,358
<u>\$ 8,610,093</u>	<u>\$ 6,125,935</u>	<u>\$ 125,338</u>	<u>\$ 23,129,523</u>

\$ -	\$ -	\$ 6,509	\$ 267,299
-	-	-	218,571
-	-	6,509	485,870

8,610,093	-	-	16,398,889
-	6,125,935	118,829	6,244,764
<u>8,610,093</u>	<u>6,125,935</u>	<u>118,829</u>	<u>22,643,653</u>
<u>\$ 8,610,093</u>	<u>\$ 6,125,935</u>	<u>\$ 125,338</u>	<u>\$ 23,129,523</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 6,583,732	\$ -	\$ -	\$ -
Federal sources	638,132	214,134	-	-
Other state sources	33,248	2,027,750	884,013	-
Other local sources	295,531	71,078	1,601	146,487
<b>Total Revenues</b>	<u>7,550,643</u>	<u>2,312,962</u>	<u>885,614</u>	<u>146,487</u>
<b>EXPENDITURES</b>				
Current				
Instruction	4,678,404	1,848,685	-	-
Instruction related activities:				
Supervision of instruction	664,729	10,896	-	-
School site administration	2,204,486	222,279	-	-
Pupil Services:				
Food services	-	18,077	-	-
All other pupil services	95,094	93,232	-	-
General administration:				
All other general administration	259,686	58,860	-	-
Plant services	385,633	60,932	1,457,110	-
Facility acquisition and construction	-	-	12,481	-
<b>Total Expenditures</b>	<u>8,288,032</u>	<u>2,312,961</u>	<u>1,469,591</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(737,389)</u>	<u>1</u>	<u>(583,977)</u>	<u>146,487</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(737,389)</u>	<u>1</u>	<u>(583,977)</u>	<u>146,487</u>
Fund Balance - Beginning	737,389	(1)	1,136,955	7,089,331
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,978</u>	<u>\$ 7,235,818</u>

See accompanying note to other supplementary information.

<b>Retiree Benefit Special Reserve Fund</b>	<b>Capital Facilities Fund</b>	<b>State School Building Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 6,583,732
-	-	-	852,266
-	-	-	2,945,011
153,112	153,093	3,234	824,136
<u>153,112</u>	<u>153,093</u>	<u>3,234</u>	<u>11,205,145</u>
-	-	-	6,527,089
-	-	-	675,625
-	-	-	2,426,765
-	-	-	18,077
-	-	-	188,326
-	4,882	-	323,428
-	228,855	-	2,132,530
-	354,235	1,617	368,333
-	<u>587,972</u>	<u>1,617</u>	<u>12,660,173</u>
153,112	(434,879)	1,617	(1,455,028)
153,112	(434,879)	1,617	(1,455,028)
8,456,981	6,560,814	117,212	24,098,681
<u>\$ 8,610,093</u>	<u>\$ 6,125,935</u>	<u>\$ 118,829</u>	<u>\$ 22,643,653</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### **Local Education Agency Organization Structure**

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

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

### **Non-major Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance**

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

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*INDEPENDENT AUDITOR'S REPORTS*

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

Board of Trustees  
East Side Union High School District  
San Jose, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District as of and for the year ended June 30, 2009, which collectively comprise East Side Union High School District's basic financial statements and have issued our report thereon dated December 15, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered East Side Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Side Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Side Union High School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2009-1 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Side Union High 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*.

East Side Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit East Side Union High School District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Trinc, Day & Co. LLP*

Palo Alto, California  
December 15, 2009





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
East Side Union High School District  
San Jose, California

**Compliance**

We have audited the compliance of East Side Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. East Side Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of East Side Union High School District's management. Our responsibility is to express an opinion on East Side Union High School District's compliance based on our audit.

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 East Side Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Side Union High School District's compliance with those requirements.

In our opinion, East Side Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of East Side Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered East Side Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the East Side Union High School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinck, Trinc, Day & Co. LLP

Palo Alto, California  
December 15, 2009



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
East Side Union High School District
San Jose, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of East Side Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the East Side Union High School District's compliance with the State laws and regulations applicable to the following items:

Table with 3 columns: Item, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Accounting, Instructional Time, Instructional Materials, and Ratios of Administrative Employees to Teachers/Classroom Teacher Salaries.

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	N/A
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	N/A <sup>1</sup>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	N/A
Option one classes	3	N/A
Option two classes	4	N/A
District or charter schools with only one school serving K-3	4	N/A
After School Education and Safety Program		
General requirements	4	N/A
After school	4	N/A
Before school	5	N/A
Charter Schools:		
Contemporaneous records of attendance	1	N/A
Mode of instruction	1	N/A
Non classroom-based instruction/independent study	15	N/A
Determination of funding for non classroom-based instruction	3	N/A
Annual instruction minutes classroom based	3	N/A

<sup>1</sup> This program is not required to be audited per flexibility provisions in SBX3 4.

<sup>2</sup> The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

Based on our audit, we found that for the items tested, the East Side Union High School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the East Side Union High School District had not complied with the laws and regulations. Our audit does not provide a legal determination on East Side Union High School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinck, Trinc, Day & Co. LLP*

Palo Alto, California  
December 15, 2009

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.365</u>	<u>English Language Acquisition Grants</u>
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>
<u>84.048</u>	<u>Career And Technical Education</u>
<u>84.215L</u>	<u>Smaller Learning Communities</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 499,818</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for State programs:	<u>Unqualified</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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The following finding represents an instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

**2009-1 Code - 30000**

### Criteria or Specific Requirements

General best accounting practices emphasize the importance of good internal controls. Strong internal controls over associated student body (ASB) funds are especially important due to the decentralized nature of ASB cash collections and disbursements.

### Condition

#### Andrew Hill High School

- The school did not have purchase orders signed for all disbursements and the checks were not signed by two authorized personnel for all disbursements.
- Cash is not reconciled on a timely basis.
- Pre-numbered receipts were not used for various cash collection transactions.
- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.
- Approvals were missing on some of the disbursements authorizations.

#### Silver Creek High School

- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.

#### Santa Teresa High School

- Student Council minutes were not maintained on file and accordingly, we were unable to verify that expenditures were approved in the student body meetings.
- Approvals were missing on some of the disbursements authorizations
- No copies of the revenue potential forms were maintained and no adequate tickets control for the fundraising activities.
- The school does not maintain an inventory record for the store.

### Questioned costs

None

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### **Context**

All ASB cash collections and disbursements related to the ASB accounts.

### **Effect**

Lack of proper documentations for the ASB activities exposes ASB receipts and disbursements to a greater risk of misstatement and cause difficulty in verifying that all cash collected was deposited to the bank accounts intact and all cash disbursed was paid for the authorized purposes.

### **Recommendation**

We recommend that the District provide training to the sites on the importance of strengthening the internal controls over ASB funds. Fund raising activities should have proper controls. Sales summaries should indicate how many tickets were sold and for how much each ticket was sold for. Reconciliations between how much should be collected form the sale of those tickets versus how much was collected should be performed for all major fundraisers. Inventory records should be maintained properly with item purchased in and sold. The invoices should be reconciled properly to the disbursements and purchase orders should be maintained properly. All checks should be signed by two authorized personnel. Student council minutes should be maintained properly with expenditure approvals.

### **District Response**

The District has held a one-day workshop on 2/25/2009 provided by the business managers and the auditor to the finance clerks and the activity directors to emphasize the important procedures, forms and signatures. The District has provided multiple webinars and is holding bi-monthly meetings for finance clerks and activity directors to help them keep good records and follow guidelines for maintaining the internal control procedures. A business team will visit sites for random checking to ensure procedures and guidelines are all in compliance. The ASB Manual Committee had met multiple times to discuss forms and procedures and an ASB Procedures and Accounting Manual specific to East Side Union High School District is in the process of being developed.



**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

### *Financial Statement Findings*

2008-1 Code 30000

#### *Internal Control*

##### **Finding**

Santa Teresa High School

- The school did not have purchase orders signed for all disbursements and the checks were not signed by two authorized personnel for all disbursements.
- The amount in one of the invoices tested does not agree to the amount paid.
- The school did not maintain an inventory record for the store.
- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.

Oak Grove High School

- Student council minutes are not maintained.
- Pre-numbered receipts were not used for football games and no summary of tickets sales was prepared.
- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.

Evergreen Valley High School

- No expenditures were approved in the student body meetings.
- No copies of the revenue potential forms were maintained and no adequate tickets control for the fundraising activities.
- The school does not maintain an inventory record for the store.

##### **Recommendation**

We recommend that the District provide training to the sites on the importance of strengthening the internal controls over ASB funds. Fund raising activities should have proper controls. Sales summaries should indicate how many tickets were sold and for how much each ticket was sold for. Reconciliations between how much should be collected from the sale of those tickets versus how much was collected should be performed for all major fundraisers. Inventory records should be maintained properly with item purchased in and sold. The invoices should be reconciled properly to the disbursements and purchase orders should be maintained properly. All checks should be signed by two authorized personnel. Student council minutes should be maintained properly with expenditure approvals.

##### **Current Status**

Not implemented. See current year's finding 2009-1.

### *Federal Award Findings*

None reported.

### *State Award Findings*

None reported.

