

**EAST SIDE UNION  
HIGH SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2010**

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2010

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
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, 2010, 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.

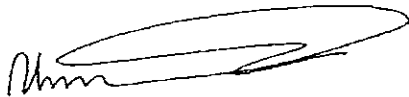
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, 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, each major fund, and the aggregate remaining fund information of the East Side Union High School District, as of June 30, 2010, 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, 2010, 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 and budgetary comparison and other postemployment information, 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*, 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.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above the typed text.

Palo Alto, California  
December 15, 2010

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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, 2010. 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 current fiscal year's California Basic Educational Data System (CBEDS) for the District was 25,003, which is a decrease of 49 while P2 ADA was 23,633, which is an increase of 75 from the prior year by using ADA recovery strategies.
- The District received an additional 4.25% cost of living adjustment to their revenue limit (COLA). With the ADA increase, the District received \$7.4 million in additional revenue limit. However, revenue limit was reduced by 18.36% deficit factor or \$32.5 million and a one-time basis adjustment of \$253 per ADA which resulted in an additional \$6.0 million reduction in revenue limit over the deficit factor. The overall impact to the District was a reduction in revenue limit in the amount of \$31.1 million.



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- The District received \$203,041 in additional funding (5.91% increase from the prior year) in Title I funding and No Child Left Behind Program Improvement.
- The District received \$470,493 less than in the prior year in Targeted Instructional Improvement Grant funding.
- The District received \$15 million for ARRA-State Fiscal Stabilization Fund and spent \$12.2 million as of June 30, 2010.
- With the anticipated receivable, the District would receive \$3.9 million for ARRA-IDEA for Special Education and spent \$3.9 million as of June 30, 2010.
- The District received \$2.4 million for ARRA-Title I Entitlement and spent \$2.4 million as of June 30, 2010.
- Special Education SELPA revenue dropped by \$452,049 in the current year.
- The District reduced its workforce due to the budget reduction by the State. The District employs 1,093 FTE Certificated Union employees; 491 FTE Classified Union employees and 69 FTE Administrative/Management employees by General Fund.
- All employees had a 0% salary increase and an average of 14.8% increase in medical benefits
- The District has installed solar panels to generate renewable energy in six schools:  
Andrew Hill, Evergreen Valley, Foothill, Independence, Santa Teresa and W.C. Overfelt.
- The District plans to install solar panels to the rest of the schools in 2010-11.
- The District Measures G and E had completed the following projects in 2010:
  - Oak Grove Title IX Field Work-Scoreboard in the amount of \$8,294.
  - Evergreen Valley High School - PE Teaching Stations in the amount of \$1,535,155.

### 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.

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.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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 in the Business-type activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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, 2010

### 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 \$74.0 and \$64.4 million for the fiscal years ended June 30, 2010 and 2009, respectively. 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	
	2010	2009	2010	2009
Current and other assets	\$ 286,192,685	\$ 217,361,443	\$ 147,934	\$ 2,066,341
Prepays for OPEB	19,822,733	20,785,417	-	-
Capital assets	465,254,875	422,748,744	130,628	146,167
<b>Total Assets</b>	<b>771,270,293</b>	<b>660,895,604</b>	<b>278,562</b>	<b>2,212,508</b>
Current liabilities	55,088,537	37,853,182	39,872	2,212,508
Long-term debt	642,228,984	558,622,762	-	-
<b>Total Liabilities</b>	<b>697,317,521</b>	<b>596,475,944</b>	<b>39,872</b>	<b>2,212,508</b>
Net assets				
Invested in capital assets, net of related debt	25,245,361	19,274,798	130,628	146,167
Restricted	37,421,115	40,949,673	87,972	74,127
Unrestricted	11,286,296	4,195,189	20,090	(220,294)
<b>Total Net Assets</b>	<b>\$ 73,952,772</b>	<b>\$ 64,419,660</b>	<b>\$ 238,690</b>	<b>\$ -</b>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

### 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	
	2010	2009	2010	2009
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 194,975	\$ 643,340	\$ 2,276,300	\$ 2,657,885
Operating grants and contributions	42,013,487	56,296,354	3,689,244	3,364,641
Capital grants and contributions	14,321,628	7,816,501	-	-
General revenues:				
State and federal sources	77,742,594	64,106,276	-	-
Taxes	125,224,102	125,461,126	-	-
Other general revenues	23,030,512	19,306,994	-	226,901
<b>Total Revenues</b>	<b>282,527,298</b>	<b>273,630,591</b>	<b>5,965,544</b>	<b>6,249,427</b>
<b>Expenses</b>				
Instruction related	172,969,031	182,253,184	-	-
Student support services	24,759,769	23,450,441	-	-
Administration	10,897,141	14,221,943	-	-
Maintenance and operations	32,343,466	28,239,884	-	-
Other outgo	1,755,696	3,708,772	-	-
Interest and other	30,269,083	26,741,002	5,726,854	6,249,427
<b>Total Expenses</b>	<b>272,994,186</b>	<b>278,615,226</b>	<b>5,726,854</b>	<b>6,249,427</b>
<b>Change in Net Assets</b>	<b>\$ 9,533,112</b>	<b>\$ (4,984,635)</b>	<b>\$ 238,690</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 \$273.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenues was only \$216.5 million because the cost was paid by those who benefited from the programs (\$0.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$56.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$125.2 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, 2010

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>2010</u>	<u>2009</u>
Instruction and related services	\$ 129,948,710	\$ 131,438,927
Pupil services	14,980,071	15,784,905
General administration	8,687,147	12,808,491
Maintenance and operations	30,945,520	26,918,625
Interest	30,269,083	26,545,195
Other	1,633,565	362,887
<b>Totals</b>	<b>\$ 216,464,096</b>	<b>\$ 213,859,030</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$248.7 million, which was an increase of \$71.3 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 22, 2010. (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 4.25% cost-of-living adjustment with an 18.355% deficit factor attachment and a one-time basis adjustment of \$253 per ADA or a net reduction of \$31.1 million to the General Fund. In addition, the District experienced a decline in its enrollment of 49. Other highlights includes receiving \$470,493 less in Targeted Instructional Improvement Grant funding, a 5.91% increase in Title I funding in the amount of \$203,041 with also an additional \$1.15 million in Stimulus funding, an additional \$5.65 million in Stimulus State Fiscal Stabilization funding, an additional \$1.4 million in Stimulus Special Education funding. As a result of the above factors, excluding the general reserve, the General Fund unrestricted fund balance decreased by \$116 thousands and restricted fund balance decreased by \$4.8 million.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

### CAPITAL ASSET & DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2010, the District governmental activities had \$465.3 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 \$42.5 million, or 10.0 percent, from last year. There were no significant changes in business-type activities capital assets.

**Table 4**

	Governmental Activities		Business Activities	
	2010	2009	2010	2009
Land	\$ 25,442,454	\$ 25,442,454	\$ -	\$ -
Construction in progress	90,723,401	79,912,844	-	-
Buildings and improvements	430,989,100	399,210,317	-	-
Furniture and Equipment	25,695,835	14,215,935	505,422	505,422
Total Assets	572,850,790	518,781,550	505,422	505,422
Less Accumulated Depreciation	107,595,915	96,032,806	374,794	359,255
<b>Totals</b>	<b>\$ 465,254,875</b>	<b>\$ 422,748,744</b>	<b>\$ 130,628</b>	<b>\$ 146,167</b>

Several capital projects are planned for the 2010-2011 and 2011-2012 years. We anticipate capital additions to be approximately \$133 million for the two years.

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

- Andrew Hill - Title IX Dugout and Fencing in the amount of \$193,326.
- Foothill – Modernization of buildings B, C and E in the amount of \$2,849,631.
- James Lick – Title IX Field Work Scoreboard in the amount of \$111,938.
  - Child Development Center in the amount of \$5,900,000.
  - Fire Science Academy in the amount of \$2,800,000.
- Mount Pleasant – Title IX Field Work Dugout and Fence in the amount of \$214,317.
- W.C. Overfelt – Title IX Field Work in the amount of \$1,599,120.
- Piedmont Hills – Title IX Field Work Softball Field in the amount of \$892,130.
- Oak Grove – Title IX Field Work Dugout and Fence in the amount of \$173,752.
- Silver Creek – Title IX Field Work Dugout and Fence in the amount of \$372,946.
- Independence – Title IX Field Work Scoreboard in the amount of \$151,116.

The following Measures G and E projects are planned for fiscal year 2011-12; some of such projects will not be completed until fiscal year 2012-13:

- Andrew Hill – Title IX Interior in the amount of \$2,398,680.
- James Lick – Title IX Interior in the amount of \$1,977,472.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- Title IX Field Improvement in the amount of \$1,336,852.
- New Classroom Building 500 in the amount of \$15,156,460.
- Mt. Pleasant – New Multipurpose/Classroom Building in the amount of \$7,222,222.  
Building 200, 300, 600, 700 & 800 Classroom Modernization in the amount of \$23,145,370.
- W. C. Overfelt – Title IX Interior in the amount of \$2,374,693.  
○ Modernization of building C & E Wing in the amount of \$10,416,990.
- Piedmont Hills – New Auxiliary Gym Building in the amount of \$5,437,008.
- Oak Grove – Modernization of building D in the amount of \$2,898,405.  
○ Title IX Interior in the amount of \$1,619,109.
- Silver Creek Modernization – Title IX Interior in the amount of \$1,359,252.  
○ New Multipurpose Building in the amount of \$13,191,833.
- Yerba Buena – Modernization of building 700 in the amount of \$4,099,016.  
○ Modernization of building 100 in the amount of \$2,894,823.  
○ Title IX Interior in the amount of \$3,470,090.
- Independence – Title IX Interior in the amount of \$2,091,935.
- Santa Teresa – Title IX Interior in the amount of \$2,456,854.  
○ Multi Purpose Building in the amount of \$5,956,628.
- Calero – Modernization in the amount of \$8,645,000.

### Long-Term Obligations

The District issued its second series of Measure E in the amount of \$100,000,000.

**Table 5**

	2010 Governmental Activities	2009 Governmental Activities
General obligation bonds	\$ 602,659,313	\$ 512,503,498
Premium	14,801,271	12,789,895
Defeasance costs	(2,051,629)	(2,196,783)
OPEB revenue bond	31,815,000	31,955,000
Capital Leases	387,520	570,040
Equipment Loan	10,112,273	-
Accumulated vacation - net	2,959,990	3,001,112
<b>Totals</b>	<b>\$ 660,683,738</b>	<b>\$ 558,622,762</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 \$602.7 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, 2010**

### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2009-2010 ARE NOTED BELOW:**

The District performance on the California Standards Test (CST) demonstrated improvement this year. Most grades increased performance in the different content areas. Grade 9 showed a 3 year trend of improvement in English Language Arts. As of the number of 9<sup>th</sup> graders taking Algebra II has increased, performance has also continued to increase. There was a 4% gain in the percent of students scoring proficient in Integrated Science I and East Side students performed above the state average in Physics at all grade levels. The District monitors the performance of subgroups in the District to measure the District's progress in closing the achievement gap. The goal is to close the gap while maintaining positive change for all subgroups from year to year. East Side showed a 9% gain over the last four years in English Language Arts and a 3% gain over the last four years in Mathematics in the percent of students passing the CAHSEE. The District showed significant gains in CAHSEE English Language Arts passing rates but CAHSEE Mathematics passing rates stayed about the same. East Side showed minimal gains on the California Standards Tests. The District will continue to monitor closing the achievement gap and increase the percent of students graduating high school. The District has built solar panels to generate renewable energy in six schools and plans to finish the solar panels to all schools in 2010-11.

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

In considering the District Budget for the 2010-2011 year, the District Board and management made the several assumptions. Among those assumptions is that the State will provide the general fund revenue limit cost of living adjustment (COLA) by 0% but reduce the revenue limit by a 17.963% deficit factor. The District will receive additional Federal Education Job Grant that will save certificated and classified employee jobs and assist the District in balancing its budget. The District will continue to provide a limited Summer Program for Special Education and credit make-ups. Special Education SELPA revenues are projected to decrease by \$500 thousand. The District will maintain its increased class size of 3 additional students per classroom. Certificated bargaining unit members will reduce their pay by taking 5 furlough days. Administrators and managers are taking a 2.75% pay cut. Certificated bargaining unit members, administrators and managers are paying more co-pay for doctor visits and prescription to lower medical benefit cost for the District.

### **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, 2010

Assets	Governmental Activities	Business-type Activities	Total
Deposits and investments	\$ 244,086,341	\$ 948,997	\$ 245,035,338
Receivables	29,790,699	585,319	30,376,018
Internal balances	1,474,354	(1,474,354)	-
Prepaid expenses	169,416	-	169,416
Stores inventories	210,751	87,972	298,723
Deferred charges	8,863,915	-	8,863,915
Other current assets	1,597,209	-	1,597,209
Other post-employment benefits asset	19,822,733	-	19,822,733
Capital assets not depreciated	116,165,855	-	116,165,855
Capital assets, net of accumulated depreciation	349,089,020	130,628	349,219,648
<b>Total assets</b>	<b>\$ 771,270,293</b>	<b>\$ 278,562</b>	<b>\$ 771,548,855</b>
<b>Liabilities</b>			
Accounts payable	\$ 20,385,722	\$ 39,872	\$ 20,425,594
Interest payable	11,052,245	-	11,052,245
Deferred revenue	3,780,630	-	3,780,630
Claim liability	1,415,186	-	1,415,186
Current portion of long-term obligations	18,454,754	-	18,454,754
Noncurrent portion of long-term obligations	642,228,984	-	642,228,984
<b>Total liabilities</b>	<b>697,317,521</b>	<b>39,872</b>	<b>697,357,393</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	25,245,361	130,628	25,375,989
Restricted for:			
Legally restricted	13,380,745	87,972	13,468,717
Debt service	14,827,853	-	14,827,853
Special revenue	1,673,246	-	1,673,246
Capital projects	4,813,001	-	4,813,001
Self insurance	2,726,270	-	2,726,270
Unrestricted	11,286,296	20,090	11,306,386
<b>Total net assets</b>	<b>\$ 73,952,772</b>	<b>\$ 238,690</b>	<b>\$ 74,191,462</b>

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

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction	\$143,469,742	\$ 42,339	\$ 18,481,475	\$ 14,321,628
Instruction related activities:				
Supervision of instruction	13,483,163	178	8,675,953	-
Instructional library, media and technology	1,065,248	-	59,824	-
School site administration	14,950,878	2,996	1,435,928	-
Pupil services:				
Home-to-school transportation	5,971,252	136,679	2,658,016	-
Food services	491,227	-	113,736	-
All other pupil services	18,297,290	78	6,871,189	-
General administration:				
Data processing	2,813,550	-	147,697	-
All other general administration	8,083,591	10,943	2,051,354	-
Plant services	22,334,540	1,762	83,165	-
Ancillary services	2,109,839	-	1,313,019	-
Enterprise services	7,899,087	-	-	-
Interest on long-term obligations	30,269,083	-	-	-
Other outgo	1,755,696	-	122,131	-
<b>Total governmental-type activities</b>	<b>272,994,186</b>	<b>194,975</b>	<b>42,013,487</b>	<b>14,321,628</b>
<b>Business-type activities</b>				
Food services	5,726,854	2,276,300	3,689,244	-
<b>Total District</b>	<b>\$278,721,040</b>	<b>\$ 2,471,275</b>	<b>\$ 45,702,731</b>	<b>\$ 14,321,628</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  
 Interagency revenues  
 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**

Governmental Activities	Business- Type Activities	Total
\$(110,624,300)	\$ -	\$ (110,624,300)
(4,807,032)	-	(4,807,032)
(1,005,424)	-	(1,005,424)
(13,511,954)	-	(13,511,954)
(3,176,557)	-	(3,176,557)
(377,491)	-	(377,491)
(11,426,023)	-	(11,426,023)
(2,665,853)	-	(2,665,853)
(6,021,294)	-	(6,021,294)
(22,249,613)	-	(22,249,613)
(796,820)	-	(796,820)
(7,899,087)	-	(7,899,087)
(30,269,083)	-	(30,269,083)
(1,633,565)	-	(1,633,565)
(216,464,096)	-	(216,464,096)
-	238,690	238,690
(216,464,096)	238,690	(216,225,406)
89,453,457	-	89,453,457
35,421,802	-	35,421,802
348,843	-	348,843
77,742,594	-	77,742,594
1,902,545	-	1,902,545
679,415	-	679,415
20,448,552	-	20,448,552
225,997,208	-	225,997,208
9,533,112	238,690	9,771,802
64,419,660	-	64,419,660
<u>\$ 73,952,772</u>	<u>\$ 238,690</u>	<u>\$ 74,191,462</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>ASSETS</b>			
Deposits and investments	\$ 1,680,712	\$ 168,316,414	\$ 25,880,098
Receivables	26,498,105	364,367	-
Due from other funds	2,630,895	-	-
Stores inventories	210,751	-	-
<b>Total assets</b>	<u>\$31,020,463</u>	<u>\$ 168,680,781</u>	<u>\$ 25,880,098</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$15,611,526	\$ 4,328,715	\$ -
Due to other funds	-	-	-
Deferred revenue	3,569,061	-	-
<b>Total liabilities</b>	<u>19,180,587</u>	<u>4,328,715</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved for:			
Legally restricted balances	4,134,163	-	-
Other reservations	213,251	-	-
Unreserved:			
Designated	-	4,369,764	-
Undesignated, reported in:			
General fund	7,492,462	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	25,880,098
Capital projects funds	-	159,982,302	-
<b>Total fund balance</b>	<u>11,839,876</u>	<u>164,352,066</u>	<u>25,880,098</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$31,020,463</u>	<u>\$ 168,680,781</u>	<u>\$ 25,880,098</u>

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

Non Major Governmental Funds	Total Governmental Funds
\$ 45,660,122	\$ 241,537,346
2,821,925	29,684,397
-	2,630,895
-	210,751
\$ 48,482,047	\$ 274,063,389

\$ 438,933	\$ 20,379,174
1,156,541	1,156,541
211,569	3,780,630
1,807,043	25,316,345

-	4,134,163
-	213,251
-	4,369,764
-	7,492,462
20,314,835	20,314,835
-	25,880,098
26,360,169	186,342,471
46,675,004	248,747,044
\$ 48,482,047	\$ 274,063,389

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

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

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 248,747,044</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	572,850,790
Accumulated depreciation is	(107,595,915)
	465,254,875
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.	104,502
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.	8,863,915
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.	(11,052,245)
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.	19,822,733
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.	2,895,686
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	602,659,313
Defeasance cost	(2,051,629)
Premium	14,801,271
OPEB revenue bond	31,815,000
Capital leases payable	387,520
Equipment loan	10,112,273
Compensated absences (vacations)	2,959,990
	(660,683,738)
<b>Total Net Assets - Governmental Activities</b>	<b>\$ 73,952,772</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, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 137,300,179	\$ -	\$ -
Federal sources	27,045,512	-	-
Other state sources	38,645,114	-	324,844
Other local sources	10,594,754	1,469,900	35,157,616
<b>Total Revenues</b>	<b>213,585,559</b>	<b>1,469,900</b>	<b>35,482,460</b>
<b>EXPENDITURES</b>			
Instruction	130,589,459	-	-
Instruction related activities:			
Supervision of instruction	12,045,275	-	-
Instructional library, media and technology	990,271	-	-
School site administration	12,064,074	-	-
Pupil Services:			
Home-to school transportation	5,652,277	-	-
Food services	172,296	-	-
All other pupil services	17,214,358	-	-
General administration:			
Data processing	2,663,253	-	-
All other general administration	7,612,849	-	-
Plant services	18,377,612	853,028	-
Facility acquisition and construction	-	27,878,076	-
Ancillary services	1,997,135	-	-
Other outgo	1,755,696	-	-
Debt service			
Principal	194,340	-	13,835,000
Interest and other	1,976,886	2,195,500	18,893,430
<b>Total Expenditures</b>	<b>213,305,781</b>	<b>30,926,604</b>	<b>32,728,430</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>279,778</b>	<b>(29,456,704)</b>	<b>2,754,030</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,500,000	-	-
Other sources	-	100,000,000	271,887
Transfers out	(2,700,000)	(2,500,000)	-
<b>Net Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>97,500,000</b>	<b>271,887</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>79,778</b>	<b>68,043,296</b>	<b>3,025,917</b>
<b>Fund Balance - Beginning</b>	<b>11,760,098</b>	<b>96,308,770</b>	<b>22,854,181</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,839,876</b>	<b>\$ 164,352,066</b>	<b>\$ 25,880,098</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 137,300,179
961,176	28,006,688
22,333,674	61,303,632
1,064,645	48,286,915
<u>24,359,495</u>	<u>274,897,414</u>
4,604,906	135,194,365
717,638	12,762,913
18,073	1,008,344
2,088,151	14,152,225
-	5,652,277
-	172,296
105,518	17,319,876
-	2,663,253
249,341	7,862,190
1,631,204	20,861,844
17,497,247	45,375,323
-	1,997,135
-	1,755,696
-	14,029,340
-	23,065,816
<u>26,912,078</u>	<u>303,872,893</u>
<u>(2,552,583)</u>	<u>(28,975,479)</u>
2,700,000	5,200,000
-	100,271,887
-	(5,200,000)
<u>2,700,000</u>	<u>100,271,887</u>
147,417	71,296,408
46,527,587	177,450,636
<u>\$ 46,675,004</u>	<u>\$ 248,747,044</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 71,296,408</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	\$ 54,069,240
Depreciation expense	<u>(11,563,109)</u> 42,506,131
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 used was more than the amounts earned by \$41,122.	41,122
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.	
	(145,154)
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.	
	(100,000,000)
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.	
	2,463,603
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.	
	(2,735,490)
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.	
	724,114
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.	
	(409,458)
Proceeds received from equipment loans 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.	
	(10,166,613)

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 STATEMENT OF ACTIVITIES (continued) FOR THE YEAR ENDED JUNE 30, 2010**

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.			(3,990,815)
The unfunded portion of the Other Postemployment Benefits Annual Required Contribution (ARC) is not recorded in the governmental funds. In the Statement of activities, the unfunded portion of the ARC is treated as an expense.			(611,439)
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	13,835,000		
Capital Leases	182,520		
Equipment loans	54,340		
Other Postemployment Benefit Bonds	<u>140,000</u>	14,211,860	
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.			(2,657,840)
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.			(889,409)
<b>Change in Net Assets - Government-Wide Activities</b>			<u><u>\$ 9,533,112</u></u>

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, 2010

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 948,997	\$ 2,548,995
Receivables	585,319	1,800
Prepaid expenses	-	169,416
Stores inventories	87,972	-
Other current assets	-	1,597,209
<b>Total Current Assets</b>	<u>1,622,288</u>	<u>4,317,420</u>
<b>Noncurrent Assets</b>		
Furniture and equipment (net)	130,628	-
<b>Total Assets</b>	<u>1,752,916</u>	<u>4,317,420</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	39,872	6,548
Due to other funds	1,474,354	-
Claim liabilities	-	1,415,186
<b>Total Current Liabilities</b>	<u>1,514,226</u>	<u>1,421,734</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	130,628	-
Legally restricted	87,972	169,416
Unrestricted	20,090	2,726,270
<b>Total Net Assets</b>	<u>\$ 238,690</u>	<u>\$ 2,895,686</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 NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Business-Type Activities- Cafeteria Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Sales	\$ 2,276,300	\$ -
Other local revenue	26,005	-
<b>Total Operating Revenues</b>	<u>2,302,305</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	3,677,765	-
Supplies and materials	1,750,820	13,496
Equipment rental	12,176	7,486
Claims	-	2,870,652
Other operating cost	270,554	1,502,614
<b>Total Operating Expenses</b>	<u>5,711,315</u>	<u>4,394,248</u>
<b>Operating Income (Loss)</b>	<u>(3,409,010)</u>	<u>(4,394,248)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	17	-
Federal grants	3,360,842	-
State grants	302,380	-
Indistrict contributions	-	3,504,839
Depreciation expense	(15,539)	-
<b>Total Nonoperating Revenues</b>	<u>3,647,700</u>	<u>3,504,839</u>
Change in net assets	238,690	(889,409)
<b>Total Net Assets - Beginning</b>	<u>-</u>	<u>3,785,095</u>
<b>Total Net Assets - Ending</b>	<u>\$ 238,690</u>	<u>\$ 2,895,686</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, 2010**

	<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	\$ 2,302,305	\$ -
Cash payments to employees for services	(4,354,334)	-
Cash payments for insurance claims	-	(4,052,929)
Cash payments to suppliers for goods and services	(2,069,108)	(839,440)
Net Cash (Used) For Operating Activities	<u>(4,121,137)</u>	<u>(4,892,369)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants and contributions	3,886,835	-
Cash received from assessments made to other funds	-	3,503,039
Net Cash Provided by Noncapital Financing Activities	<u>3,886,835</u>	<u>3,503,039</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	17	-
Net decrease in cash and cash equivalents	(234,285)	(1,389,330)
Cash and cash equivalents - Beginning	1,183,282	3,938,325
Cash and cash equivalents - Ending	<u>\$ 948,997</u>	<u>\$ 2,548,995</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (3,409,010)	\$ (4,394,248)
Changes in assets and liabilities:		
Other assets	-	(1,245,964)
Claims liabilities	-	63,687
Inventories	(13,845)	-
Prepaid expense	-	868,983
Account payable	(21,713)	(184,827)
Due to other fund	(676,569)	-
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>\$ (4,121,137)</u>	<u>\$ (4,892,369)</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, 2010**

	<u>Retiree Benefits</u>	<u>Scholarships</u>	<u>Student Bodies</u>
<b>ASSETS</b>			
Deposits and investments	<u>\$17,890,259</u>	<u>\$ 80,057</u>	<u>\$ 2,135,816</u>
<b>LIABILITIES</b>			
Due to student groups	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135,816</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>\$ 2,135,816</u>
<b>NET ASSETS</b>			
Unreserved	<u>17,890,259</u>	<u>80,057</u>	
<b>Total Net Assets</b>	<u>\$17,890,259</u>	<u>\$ 80,057</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, 2010**

	<u>Retiree Benefits</u>	<u>Scholarships</u>
<b>ADDITIONS</b>		
Investment Income	\$ 2,221,070	\$ -
<b>DEDUCTIONS</b>		
Operating expenditure	26,366	-
Scholarships awarded	-	4,325
<b>Total Deductions</b>	<u>26,366</u>	<u>4,325</u>
<b>Change in Net Assets</b>	2,194,704	(4,325)
<b>Net Assets - Beginning</b>	15,695,555	84,382
<b>Net Assets - Ending</b>	<u>\$ 17,890,259</u>	<u>\$ 80,057</u>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### 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, 3 adult education sites, 1 independent study program, 4 continuation schools and 8 child care center.

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, 2010

### 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, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

**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, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

**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.).

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**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.).

**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, 2010

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, 2010

**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 government-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, 2010, 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, 2010

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**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net 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.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented 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, 2010

### 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.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 241,537,346
Proprietary funds	3,497,992
Fiduciary funds	20,106,132
Total Deposits and Investments	<u>\$ 265,141,470</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 2,353,530
Cash in revolving	2,600
Investments	262,785,340
Total Deposits and Investments	<u>\$ 265,141,470</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, 2010

### 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	\$ 4,369,768	\$ 4,369,768	2.07
Mutual Funds	25,222,688	25,222,688	-
County Pool	232,792,884	233,898,650	0.82
Certificate of Deposits	400,000	400,000	0.27
Total	<u>\$ 262,785,340</u>	<u>\$ 263,891,106</u>	

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### 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	Not Rated
Treasury Notes	\$ 4,369,768	\$ 4,369,768	\$ 4,369,768	\$ -
Mutual Funds	25,222,688	25,222,688	-	25,222,688
County Pool	232,792,884	233,898,650	-	233,898,650
Certificate Deposit	400,000	400,000	-	400,000
Total	<u>\$ 262,785,340</u>	<u>\$ 263,891,106</u>	<u>\$ 4,369,768</u>	<u>\$ 259,521,338</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, 2010, District bank balances of \$31,254 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, 2010**

**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	Nonmajor Funds	Total	Proprietary
Federal Government					
Categorical aid	\$ 7,272,065	\$ -	\$ 355,703	\$ 7,627,768	\$ 548,948
State Government			-		
Apportionment	11,780,448	-	1,827,214	13,607,662	-
Categorical aid	3,557,482	-	499,006	4,056,488	36,371
Lottery	1,526,653	-	-	1,526,653	-
Interest	9,586	364,367	61,488	435,441	-
Other Local Sources	2,351,871	-	78,514	2,430,385	1,800
Total	<u>\$26,498,105</u>	<u>\$364,367</u>	<u>\$2,821,925</u>	<u>\$29,684,397</u>	<u>\$ 587,119</u>

The District also had \$104,502 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, 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in Progress	79,912,844	41,913,664	31,103,107	90,723,401
Total Capital Assets not being depreciated	105,355,298	41,913,664	31,103,107	116,165,855
Capital Assets being depreciated:				
Buildings	384,750,795	31,767,682	-	416,518,477
Site Improvement	14,459,522	11,101	-	14,470,623
Equipment	14,215,935	11,479,900	-	25,695,835
Total Capital Assets being depreciated	413,426,252	43,258,683	-	456,684,935
Total Capital Assets	518,781,550	85,172,347	31,103,107	572,850,790
Less Accumulated Depreciation:				
Buildings	82,166,820	9,378,205	-	91,545,025
Site Improvement	2,619,255	574,350	-	3,193,605
Equipment	11,246,731	1,610,554	-	12,857,285
Total Accumulated Depreciation	96,032,806	11,563,109	-	107,595,915
Governmental Activities Capital Assets, Net	\$ 422,748,744	\$ 73,609,238	\$ 31,103,107	\$ 465,254,875
<b>Business-Type Activities</b>				
Furniture and Equipment	\$ 505,422	\$ -	\$ -	\$ 505,422
Less Accumulated Depreciation	359,255	15,539	-	374,794
Business-Type Activities Capital Assets, Net	\$ 146,167	\$ (15,539)	\$ -	\$ 130,628

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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

**Governmental Activities**

Instruction	\$ 7,516,687
Supervision of Instruction	706,412
Instructional Library and Media	55,811
School Site Administration	783,309
Home to School Transportation	312,847
Food Services	312,803
All Other Pupil Services	958,634
Anciliary Services	110,539
Enterprise Activities	222,168
All General Administration	436,491
Data Processing Services	147,408
Total Depreciation Expenses, Governmental Activities	\$ 11,563,109

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2010, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

Due From	Due To		Total
	Non-major Fund	Cafeteria Enterprise Fund	
General Fund	\$ 1,156,541	\$ 1,474,354	\$ 2,630,895

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, 2010**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2010, consisted of the following:

	Transfer Out	Transfer In		Total
		General Fund	Nonmajor Fund	
General Fund		\$ -	\$ 2,700,000	\$ 2,700,000
Building Fund		2,500,000	-	2,500,000
Total		<u>\$2,500,000</u>	<u>\$ 2,700,000</u>	<u>\$ 5,200,000</u>

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

\$ 2,500,000

The General Fund transferred to the Special Reserve Non-Capital Fund for reserve.

2,000,000

The General Fund transferred to the Special Reserve Post Employment for OPEB reserves.

700,000

\$ 5,200,000

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, 2010, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 5,231,074	\$ 4,292,320	\$ 315,353	\$ 9,838,747	\$ 46,420
State apportionment	1,062,464	-	-	1,062,464	-
Salaries and benefits	9,317,988	36,395	116,437	9,470,820	-
Interest payable	-	-	7,143	7,143	-
Total	<u>\$ 15,611,526</u>	<u>\$ 4,328,715</u>	<u>\$ 438,933</u>	<u>\$ 20,379,174</u>	<u>\$ 46,420</u>



**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue at June 30, 2010, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 110,922	\$ 14,575	\$ 125,497
State categorical aid	7,286	50,094	57,380
Other local	3,450,853	146,900	3,597,753
Total	<u>\$ 3,569,061</u>	<u>\$ 211,569</u>	<u>\$ 3,780,630</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, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
General obligation bonds	\$ 512,503,498	\$103,990,815	\$ 13,835,000	\$ 602,659,313	\$15,650,390
Premium	12,789,895	2,735,490	724,114	14,801,271	2,060,281
Defeasance costs	(2,196,783)	-	(145,154)	(2,051,629)	(145,154)
OPEB revenue bonds	31,955,000	-	140,000	31,815,000	180,000
Capital leases	570,040	-	182,520	387,520	205,639
Equipment Loans	-	10,166,613	54,340	10,112,273	203,598
Accumulated vacation - net	3,001,112	-	41,122	2,959,990	300,000
	<u>\$ 558,622,762</u>	<u>\$116,892,918</u>	<u>\$ 14,831,942</u>	<u>\$ 660,683,738</u>	<u>\$18,454,754</u>

On April 2010, the District issued General Obligations Bonds, 2008 Election, Series B, in the amount of \$100,000,000 with interest rates ranging from 3.0% to 5.0%. The bonds were issued for modernization and construction of the District school site buildings.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2009	New Issuance	Accreted/ Issued	Redeemed	Outstanding June 30, 2010
<b>Current Interest Bond</b>								
1991B	2011	3.8%-6.8%	\$ 10,000,000	\$ 285,000	\$ -	\$ -	\$ 285,000	\$ -
1999 Refunding	2010	3.7%-4.8%	20,900,000	4,500,000	-	-	1,015,000	3,485,000
2002B	2027	2.5%-5.5%	30,000,000	26,470,000	-	-	915,000	25,555,000
2003 Refunding	2022	3.0%-4.6%	36,795,000	28,795,000	-	-	1,665,000	27,130,000
1999C	2024	3.1%-5.0%	24,500,000	21,645,000	-	-	750,000	20,895,000
2003 Refunding	2025	2.0%-5.3%	97,160,000	79,095,000	-	-	2,080,000	77,015,000
2002 Series C	2029	4.0%-5.0%	50,000,000	45,310,000	-	-	1,385,000	43,925,000
2002 Series D	2030	3.5%-5.0%	70,000,000	66,425,000	-	-	1,965,000	64,460,000
2003 Series F	2036	4.0%-5.0%	50,000,000	48,380,000	-	-	970,000	47,410,000
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	-	-	35,000	11,510,000
2008 Series A	2039	4.0%-5.0%	50,000,000	50,000,000	-	-	500,000	49,500,000
2002 Series H	2034	5.1%-6.0%	18,000,000	18,000,000	-	-	50,000	17,950,000
2008 Series B	2039	3.0%-5.0%	100,000,000	-	100,000,000	-	-	100,000,000
Sub-Total			611,565,000	443,115,000	100,000,000	-	11,615,000	531,500,000
<b>Capital Appreciation</b>								
1991 Series F	2011	4.9%	2,999,956	4,578,675	-	116,325	2,220,000	2,475,000
1999 Series A	2025	5.3%-6.5%	25,499,993	5,732,583	-	375,679	-	6,108,262
2002 Series E	2030	4.2%-5.1%	29,999,529	37,375,168	-	2,052,229	-	39,427,397
2002 Series G	2032	4.60%-6.9%	19,997,739	21,702,072	-	1,446,582	-	23,148,654
Sub-Total			78,497,217	69,388,498	-	3,990,815	2,220,000	71,159,313
Total General Obligation Bonds			\$ 690,062,217	\$ 512,503,498	\$ 100,000,000	\$ 3,990,815	\$ 13,835,000	\$ 602,659,313

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Debt Service Requirements to Maturity**

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 15,650,390	\$ 26,815,953	\$ 42,466,343
2012	16,398,582	26,891,804	43,290,386
2013	17,275,877	25,463,360	42,739,237
2014	17,825,000	23,671,042	41,496,042
2015	18,850,000	22,884,105	41,734,105
2016-2020	117,547,367	110,166,109	227,713,476
2021-2025	169,140,218	87,926,792	257,067,010
2026-2030	114,314,252	75,516,636	189,830,888
2031-2035	60,875,432	32,317,312	93,192,744
2036-2039	38,450,000	4,619,870	43,069,870
subtotal	<u>586,327,118</u>	<u>\$ 436,272,983</u>	<u>\$ 1,022,600,101</u>
Accretion to date	16,332,195		
Total	<u>\$ 602,659,313</u>		

**Defeased Bonded Debt**

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, 2010, the total amount of defeased debt outstanding but removed from the Long-Term Obligations is \$102,605,533.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 Outstanding July 1, 2009	Redeemed	Bonds Outstanding June 30, 2010
OPEB Bonds	2036	5.18%-5.32%	\$ 32,050,000	\$ 31,955,000	\$ 140,000	\$ 31,815,000

**Debt Service Requirements to Maturity**

The bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
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	390,000	1,632,505	2,022,505
2016-2020	2,930,000	7,794,227	10,724,227
2021-2025	5,010,000	6,826,015	11,836,015
2026-2030	7,860,000	5,209,876	13,069,876
2031-2035	11,700,000	2,734,214	14,434,214
2036	2,905,000	154,546	3,059,546
<b>Total</b>	<b>\$ 31,815,000</b>	<b>\$ 31,026,443</b>	<b>\$ 62,841,443</b>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$2,959,990.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### Capital Leases

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

	Capital Leases
Balance, July 1, 2009	\$ 570,040
Payments	182,520
Balance, June 30, 2010	<u>\$ 387,520</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2011	\$ 205,639
2012	205,639
Total	411,278
Less: Amount Representing Interest	23,758
Present Value of Minimum Lease Payments	<u>\$ 387,520</u>

### Equipment Leases

The District borrowed funds to purchase a VOIP system and Solar Panel installation in the amount of 24,378,576. During FY 2009-2010, the District contributed \$15,000,000 to finance a solar panel installation project throughout the District. The remaining \$9,378,576 was financed via an equipment lease with Bank of America on November 25, 2009. Additionally the District borrowed \$1,072,332 to pay for the installation of a Voice Over IP system within the District and high schools.

The District's liabilities on equipment leases with are summarized below:

	Equipment Loans
Balance, July 1, 2009	\$ -
Additions	10,166,613
Payments	54,340
Balance, June 30, 2010	<u>\$ 10,112,273</u>

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

The combined equipment leases have minimum payments as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 203,598	\$ 540,898	\$ 744,496
2012	429,320	701,532	1,130,852
2013	645,103	485,750	1,130,853
2014	696,908	433,944	1,130,852
2015	723,648	407,206	1,130,854
2016-2020	3,054,879	1,581,395	4,636,274
2021-2025	3,977,520	658,751	4,636,271
2026	381,297	5,057	386,354
Total	<u>\$ 10,112,273</u>	<u>\$ 4,814,533</u>	<u>\$ 14,926,806</u>

**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	General	Building	Bond Interest and Redemption	Nonmajor Governmental	Total
<b>Reserved</b>					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores inventory	210,751	-	-	-	210,751
Restricted programs	4,134,163	-	-	-	4,134,163
Total Reserved	<u>4,347,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,347,414</u>
<b>Unreserved</b>					
Designated					
Other designation	-	4,369,764	-	-	4,369,764
Undesignated	7,492,462	159,982,302	25,880,098	46,675,004	240,029,866
Total Unreserved	<u>7,492,462</u>	<u>164,352,066</u>	<u>25,880,098</u>	<u>46,675,004</u>	<u>244,399,630</u>
Total	<u>\$ 11,839,876</u>	<u>\$ 164,352,066</u>	<u>\$ 25,880,098</u>	<u>\$ 46,675,004</u>	<u>\$ 248,747,044</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### 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 based on actuarial information consists of 529 retirees and beneficiaries currently receiving benefits and 1,291 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.

#### 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 \$3,055,501.

#### 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	\$ (3,666,940)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	(3,666,940)
Contributions made	3,055,501
Decrease in net OPEB asset	(611,439)
Net OPEB asset, beginning of year	20,434,172
Net OPEB asset, end of year	<u>\$ 19,822,733</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30,	Amount Contributed	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2010	\$ 3,055,501	\$ 3,666,940	83%	\$ 19,822,733

### 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. The following represents the funding status of the plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
May 1, 2008	\$ -	\$ 38,870,849	\$ 38,870,849	0.00%	\$ 110,745,727	35%

### 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, 2010, was 24 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2010, the Trust held net assets in the amount of \$17,890,259, 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.



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### 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, 2010, 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 2010, 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.

#### 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's self-insured dental insurance program from July 1, 2008 to June 30, 2010:

	Health Benefits
Liability Balance, June 30, 2008	\$ 1,071,167
Claims and changes in estimates	3,373,181
Claims payments	(3,092,849)
Liability Balance, June 30, 2009	1,351,499
Claims and changes in estimates	2,870,652
Claims payments	(2,806,965)
Liability Balance, June 30, 2010	1,415,186
Assets available to pay claims at June 30, 2010	\$ 4,141,456

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### 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 2009-2010 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, 2010, 2009, and 2008, were \$9,153,575, \$9,773,349, and \$9,834,843, respectively, and equal 100 percent of the required contributions for each year.

#### 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 2009-2010 was 9.709 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, 2010, 2009, and

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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2008, were \$2,901,685, \$3,168,168, and \$3,222,593, 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 \$4,733,348, \$5,351,098, and \$5,381,771 (4.267 percent of annual payroll for 2010, and 4.517 percent for 2009 and 2008, respectively, of annual payroll) for the years ending June 30, 2010, 2009 and 2008, 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.

### **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, 2010, the District made payments of \$1,198,489, \$4,399,688 and \$1,217,796 to North California Regional Liability Excess Fund, Santa Clara County Schools Insurance Group and Metropolitan Education District, respectively.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010**

### **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, 2010.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. There are several pending civil suits against the District, of which one is an appeal to the Superior Court of California. The maximum exposure of the District is the deductible of \$2,574,877. This amount has been accrued as a legal liability as of June 30, 2010.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

### Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Apollo Modular Classrooms	\$ 239,928	June 2011
Foothill Mod Bldgs B, C & E	1,820,197	June 2011
Foothill New Science Labs	120,964	June 2011
Foothill Relocatable Classrooms	3,959	June 2011
Independence Bldgs M1 & M3 Vocational Ed	21,460	June 2011
Mount Pleasant Performing Arts Building	198,536	June 2011
Piedmont Hills Title IX Field Work-Softball Field	203,527	June 2011
Program Management Fees - All sites	1,332,584	June 2011
Santa Teresa Mod. Auditorium & Music Labs	882,579	June 2011
Santa Teresa Mod. Multi Bldgs HVAC	46,833	June 2011
W.C. Overfelt Bldg E Nutritional Services	203,025	June 2011
W.C. Overfelt Science Building	508,365	June 2011
W.C. Overfelt Transitional Housing	12,411	June 2011
Yerba Buena Buildings 1200 Nutritional Services	215,714	June 2011
Andrew Hill Title IX Field Work	561,554	June 2012
Escuela Information Upgrades	18,291,629	June 2012
Evergreen Physical Education Teaching Stations	31,060	June 2012
Evergreen Title IX Field Work-Dugout	884,257	June 2012
Independence Mod.-Title IX Interior	197,772	June 2012
Independence Title IX Field Work-Scoreboard	93,523	June 2012
James Lick Fire Science Academy	523,665	June 2012
James Lick Mod.- Title IX Interior	218,020	June 2012
James Lick Title IX Field Work-Scoreboard	120,958	June 2012
Mount Pleasant Title IX Field Work-Dugout	1,098	June 2012
Oak Grove Mod.-Bldg D (Art Classroom)	293,920	June 2012
Oak Grove Mod.-Title IX Interior	172,332	June 2012
Oak Grove Title IX Field Work-Dugout	14,645	June 2012
Oak Grove Title IX Field Work-Scoreboard	8,756	June 2012
Silver Creek Mod.- Title IX Interior	155,608	June 2012
Silver Creek Title IX Field Work (Playing Fields)	25,619	June 2012
Santa Teresa Mod.-Title IX Interior	232,232	June 2012
Santa Teresa New-Multi Purpose Bldg	557,141	June 2012
W.C. Overfelt Mod.- Title IX Interior	251,432	June 2012
W.C. Overfelt Title IX Field Work	1,012,929	June 2012

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Yerba Buena Mod.- Bldg 100 Two Classrms-Counselin	148,585	June 2012
Yerba Buena Mod.- Bldg 700	3,696,287	June 2012
Yerba Buena Mod.- Title IX Interior	339,406	June 2012
James Lick New-Two Story Classroom Bldg (500 Wing)	1,811,615	June 2013
James Lick Relocate Child Care	3,001,531	June 2013
Mount Pleasant Classroom/Mount Pleasant Building	1,758,341	June 2013
Mount Pleasant Mod.- Bldg 200, 600, & 800 Classroom	1,717,440	June 2013
Piedmont Hills New-Small Gym	585,532	June 2013
Program Management Fees - All sites	13,481,625	June 2013
Silver Creek New-Multi Purpose Bldg	1,409,774	June 2013
W.C. Overfelt Mod.- Bldg C (South Wing)	195,380	June 2013
W.C. Overfelt New-Classroom Facility	1,643,599	June 2014
	<u>\$ 59,247,347</u>	

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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, 2010

	Budgeted Amounts			Favorable (Unfavorable) Variances
	Original	Final	Actual	Final to Actual
	<b>REVENUES</b>			
Revenue limit sources	\$ 152,669,089	\$ 137,214,875	\$ 137,300,179	\$ 85,304
Federal sources	11,685,694	24,710,691	27,045,512	2,334,821
Other state sources	30,356,590	27,949,236	33,911,766	5,962,530
Other local sources	9,857,780	10,679,700	10,594,754	(84,946)
<b>Total Revenues<sup>1</sup></b>	<b>204,569,153</b>	<b>200,554,502</b>	<b>208,852,211</b>	<b>8,297,709</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Certificated salaries	108,678,206	108,276,452	107,170,830	1,105,622
Classified salaries	26,491,530	27,225,202	26,812,689	412,513
Employee benefits	48,635,769	49,983,944	48,763,381	1,220,563
Books and supplies	5,310,553	4,828,536	4,078,793	749,743
Services and operating expenditures	15,247,030	17,579,517	17,450,634	128,883
Other outgo	205,639	1,199,780	1,198,612	1,168
Capital outlay	4,643,305	3,026,737	1,264,901	1,761,836
Debt service - principal	-	-	140,000	(140,000)
Debt service - interest	-	-	1,692,593	(1,692,593)
<b>Total Expenditures<sup>1</sup></b>	<b>209,212,032</b>	<b>212,120,168</b>	<b>208,572,433</b>	<b>3,547,735</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,642,879)</b>	<b>(11,565,666)</b>	<b>279,778</b>	<b>11,845,444</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,000,000	2,500,000	2,500,000	-
Other sources	897,822	-	-	-
Transfers out	(200,000)	-	(2,700,000)	(2,700,000)
<b>Net Financing Sources (Uses)</b>	<b>2,697,822</b>	<b>2,500,000</b>	<b>(200,000)</b>	<b>(2,700,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,945,057)</b>	<b>(9,065,666)</b>	<b>79,778</b>	<b>9,145,444</b>
<b>Fund Balance - Beginning</b>	<b>11,760,098</b>	<b>11,760,098</b>	<b>11,760,098</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,815,041</b>	<b>\$ 2,694,432</b>	<b>\$ 11,839,876</b>	<b>\$ 9,145,444</b>

<sup>1</sup> On behalf payments of \$4,733,348 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, 2010**

<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%	\$ 110,745,727	35%

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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, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Grants:			
Title IV, Smaller Learning Communities	84.215L	[2]	\$ 528,216
Title IV, Teach American History	84.215X	[2]	240,116
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	3,723,745
Title I, ARRA, Part A, Basic Grants Low Income and Neglected	84.010	14326	2,407,407
Title I, Part A, Program Improvement	84.010	14955	76,813
Title I, Part C, Migrant Education	84.011	14326	304,257
Title II, Part A, Teacher Quality	84.367	14341	918,786
Title II, Part A, Administrator Training	84.367	14344	16,726
Title II, Part D, Enhancing Education Through Technology	84.318	14334	28,580
Title III, Limited English Proficiency	84.365	10084	419,278
Title III, Immigrant Education Program	84.365	14346	18,458
Title IV, Part A, Drug-Free Schools	84.186	14347	76,346
Title V, Part A, Innovative Education Strategies	84.298A	14354	8,207
ARRA: State Fiscal Stabilization Fund <sup>[3]</sup>	84.394	25008	12,239,649
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,501,705
ARRA Part B, Section 611, Basic Local Assistance	84.391	15003	3,904,523
California Preschool Instructional Network	84.173	14530	18,709
Workability II, Transition Partnership	84.158	10006	391,993
Carl Perkins Act:			
Technology Secondary II C, Section 131	84.048	13924	551,084
Postsecondary and Adult Section 132	84.048	13923	151,770
Adult Education Act:			
Adult Education: Adult Secondary Education	84.002	13978	56,815
Adult Basic Education and English as Second Language	84.002A	14508	635,936
Subtotal			<u>31,219,119</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Child Development Act:

ARRA Quality Improvement Activities	93.575	13942	14,543
Head Start	93.600	10016	206,151
Medi-Cal Billing Option	93.778	10013	212,293
Refugee Children Supplemental Assistance Program	93.576	24791	322,999
Subtotal			<u>755,986</u>

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Education (CDE):

Child Nutrition Act:

Basic Breakfast	10.553	13525	2,509
Needy Breakfast	10.553	13390	954,442
National School Lunch	10.555	13755	2,347,934
Meal Supplement	10.553	13390	55,958
ARRA Equipment Assistance Grants	10.579	15006	50,205
Commodity Supplemental Food Program <sup>[1]</sup>	10.565	02288	154,445
Subtotal			<u>3,565,493</u>

U.S. DEPARTMENT OF DEFENSE

Junior Reserve Officer Training Corp; JROTC	12.000	<sup>[2]</sup>	544,960
Total <sup>[3]</sup>			<u>\$36,085,558</u>

[1] Not recorded in the financial statements.

[2] The grants are direct grants.

[3] The financial statements include \$4,563,583 in unspent State Stabilization grant that was earned in 2009 and expensed in 2010.

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2010

### 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, three adult education sites, one independent study program, four continuation schools and eight child care centers.

#### BOARD OF TRUSTEES

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

#### ADMINISTRATION

Dan Moser	Interim 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, 2010

	<u>Amended Second Period Report</u>	<u>Annual Report</u>
SECONDARY		
Regular classes	21,930	21,770
Continuation education	591	579
Home and hospital	29	32
Special education	1,083	1,075
Total Secondary	<u>23,633</u>	<u>23,456</u>

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	61,893	61,893	64,800	64,800	64,814	180	Complied
Grade 10	61,893	61,893	64,800	64,800	64,814	180	Complied
Grade 11	61,893	61,893	64,800	64,800	64,814	180	Complied
Grade 12	61,893	61,893	64,800	64,800	64,814	180	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, 2010**

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, 2010, Unaudited Actuals	\$ 11,533,909	\$ 166,926,943
Decrease (Increase) in:		
Account payable <sup>1</sup>	<u>305,967</u>	<u>(2,574,877)</u>
Balance, June 30, 2010, Audited Financial Statement	<u>\$ 11,839,876</u>	<u>\$ 164,352,066</u>

<sup>1</sup> The District wrote-off the overaccrual of Health and Welfare payables in the amount of \$305,967 in the General Fund. The District also accrued for legal liability and legal fees in a litigation ruling that was probable and estimable in the amount of \$1,721,849 and \$853,028, respectively, in the Building Fund.

See accompanying note to supplementary information.



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

	(Budget) 2011 <sup>1</sup>	2010	2009	2008
<b>GENERAL FUND</b>				
Revenues	\$ 192,433,655	\$ 208,852,211	\$ 218,960,519	\$ 227,015,883
Other sources	7,350,000	2,500,000	3,500,000	9,030,167
Total Revenues and Other Sources	199,783,655	211,352,211	222,460,519	236,046,050
Expenditures	202,227,132	208,572,433	230,536,575	237,627,901
Other uses and transfers out	-	2,700,000	226,901	1,917,748
Total Expenditures and Other Uses	202,227,132	211,272,433	230,763,476	239,545,649
INCREASE (DECREASE) IN FUND BALANCE	\$ (2,443,477)	\$ 79,778	\$ (8,302,957)	\$ (3,499,599)
ENDING FUND BALANCE	\$ 9,396,399	\$ 11,839,876	\$ 11,760,098	\$ 20,063,055
AVAILABLE RESERVES <sup>2</sup>	\$ 14,115,600	\$ 16,800,957	\$ 14,568,692	\$ 16,650,271
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	6.98%	7.95%	6.46%	7.11%
LONG-TERM OBLIGATIONS	\$ 642,228,984	\$ 660,683,738	\$ 558,622,762	\$ 548,329,454
AVERAGE DAILY ATTENDANCE AT P-2	23,563	23,633	23,558	23,660

The General Fund balance has decreased by \$8,223,179 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$2,443,477 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 two operating deficits in the past three years and anticipates incurring an operating deficit during the 2010-2011 fiscal year. Total long-term obligations have increased by \$112,354,284 over the past two years.

Average daily attendance has decreased by 27 over the past two years. A decrease of 70 ADA is anticipated during fiscal year 2010-2011.

<sup>1</sup> Budget 2011 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.

<sup>3</sup> On-behalf payments of \$4,733,348, \$5,351,098, and \$5,381,771 for 2010, 2009 and 2008 have been excluded from actual amounts reported above and the calculation of available reserves percentage for fiscal years ending June 30, 2010, 2009, and 2008 respectively.

See accompanying note to supplementary information.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2010**

<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, 2010

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
<b>ASSETS</b>				
Deposits and investments	\$ 116,087	\$ 44,264	\$ 312,169	\$ 9,294,110
Receivables	2,291,521	425,379	770	14,385
<b>Total assets</b>	<u>\$ 2,407,608</u>	<u>\$ 469,643</u>	<u>\$ 312,939</u>	<u>\$ 9,308,495</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 84,422	\$ 45,339	\$ 19,073	\$ -
Due to other funds	943,806	212,735	-	-
Deferred revenue	-	211,569	-	-
<b>Total liabilities</b>	<u>1,028,228</u>	<u>469,643</u>	<u>19,073</u>	<u>-</u>
<b>Fund Balances:</b>				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	1,379,380	-	293,866	9,308,495
Capital projects funds	-	-	-	-
<b>Total fund balance</b>	<u>1,379,380</u>	<u>-</u>	<u>293,866</u>	<u>9,308,495</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,407,608</u>	<u>\$ 469,643</u>	<u>\$ 312,939</u>	<u>\$ 9,308,495</u>

See accompanying note to other supplementary information.

<u>Retiree Benefits Special Reserve Fund</u>	<u>Capital Facilities Fund</u>	<u>State School Building Fund</u>	<u>County School Facilities Fund</u>	<u>Total Non Major Governmental Funds</u>
\$ 9,329,298	\$ 4,955,291	\$ 92,246	\$ 21,516,657	\$ 45,660,122
3,796	55,358	205	30,511	2,821,925
<u>\$ 9,333,094</u>	<u>\$ 5,010,649</u>	<u>\$ 92,451</u>	<u>\$ 21,547,168</u>	<u>\$ 48,482,047</u>
\$ -	\$ 280,474	\$ 9,625	\$ -	\$ 438,933
-	-	-	-	1,156,541
-	-	-	-	211,569
<u>-</u>	<u>280,474</u>	<u>9,625</u>	<u>-</u>	<u>1,807,043</u>
9,333,094	-	-	-	20,314,835
-	4,730,175	82,826	21,547,168	26,360,169
<u>9,333,094</u>	<u>4,730,175</u>	<u>82,826</u>	<u>21,547,168</u>	<u>46,675,004</u>
<u>\$ 9,333,094</u>	<u>\$ 5,010,649</u>	<u>\$ 92,451</u>	<u>\$ 21,547,168</u>	<u>\$ 48,482,047</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, 2010

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
<b>REVENUES</b>				
Federal sources	\$ 721,773	\$ 239,403	\$ -	\$ -
Other state sources	6,543,849	1,682,262	-	-
Other local sources	424,253	51,759	6,423	72,677
<b>Total Revenues</b>	<u>7,689,875</u>	<u>1,973,424</u>	<u>6,423</u>	<u>72,677</u>
<b>EXPENDITURES</b>				
Current				
Instruction	2,944,501	1,660,405	-	-
Instruction related activities:				
Supervision of instruction	710,840	6,798	-	-
Instructional library, media and technology	18,073	-	-	-
School site administration	1,892,656	195,495	-	-
Pupil Services:				
All other pupil services	80,583	24,935	-	-
General administration:				
All other general administration	236,792	6,342	-	-
Plant services	427,050	79,449	265,535	-
Facility acquisition and construction	-	-	-	-
<b>Total Expenditures</b>	<u>6,310,495</u>	<u>1,973,424</u>	<u>265,535</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,379,380</u>	<u>-</u>	<u>(259,112)</u>	<u>72,677</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	2,000,000
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,379,380</u>	<u>-</u>	<u>(259,112)</u>	<u>2,072,677</u>
<b>Fund Balance - Beginning</b>	<u>-</u>	<u>-</u>	<u>552,978</u>	<u>7,235,818</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,379,380</u>	<u>\$ -</u>	<u>\$ 293,866</u>	<u>\$ 9,308,495</u>

See accompanying note to other supplementary information.

Retiree Benefit Special Reserve Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 961,176
-	-	-	14,107,563	22,333,674
23,001	271,220	1,248	214,064	1,064,645
23,001	271,220	1,248	14,321,627	24,359,495
-	-	-	-	4,604,906
-	-	-	-	717,638
-	-	-	-	18,073
-	-	-	-	2,088,151
-	-	-	-	105,518
-	6,207	-	-	249,341
-	859,170	-	-	1,631,204
-	801,603	37,251	16,658,393	17,497,247
-	1,666,980	37,251	16,658,393	26,912,078
23,001	(1,395,760)	(36,003)	(2,336,766)	(2,552,583)
700,000	-	-	-	2,700,000
723,001	(1,395,760)	(36,003)	(2,336,766)	147,417
8,610,093	6,125,935	118,829	23,883,934	46,527,587
\$ 9,333,094	\$ 4,730,175	\$ 82,826	\$ 21,547,168	\$ 46,675,004

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010**

### **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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The 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.

#### **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.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**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***

Governing Board  
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, 2010, which collectively comprise East Side Union High School District's basic financial statements and have issued our report thereon dated December 15, 2010. 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

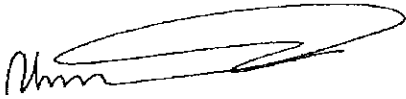
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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.

A handwritten signature in black ink, appearing to be 'Amm', written over a large, light-colored oval scribble.

Palo Alto, California  
December 15, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. East Side Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

## 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Side Union High School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

East Side Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit East Side Union High School District's response and, accordingly, we 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.



Palo Alto, California  
December 15, 2010



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
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, 2010, and have issued our report thereon dated December 15, 2010. 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 2009-10, 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.

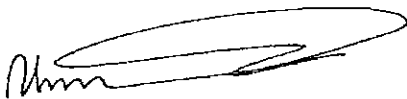
Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of East Side Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the East Side Union High School 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, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early retirement incentive, Gann limit calculation, School Accountability Report Card, and Public hearing requirement - receipt of funds.

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

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, 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.



Palo Alto, California  
December 15, 2010

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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, 2010**

**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>Yes</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>84.010, 84.389 (ARRA)</u>	<u>Title I Grants to LEAS (includes ARRA)</u>
<u>84.027, 84.173, 84.391 (ARRA), 84.392 (ARRA)</u>	<u>Special Education Cluster (Includes ARRA)</u>
<u>84.394 (ARRA)</u>	<u>State Fiscal Stabilization Fund (includes ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,082,567</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 STATEMENTS FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2010-1 Code - 30000

### Criteria or Specific Requirements

General best accounting practices emphasize the importance of good internal controls. Strong internal controls over accounts payable disbursement process ensures proper safeguarding of the District's cash and ensures proper payments are made for proper District expenditures.

### Condition

During our walkthrough of internal controls, we noted that the District did not reconcile the printed checks provided by the Information Technology Department against the invoices by someone independent from the Accounts Payable department to ensure that checks were disbursed for their related invoices. It was noted that someone independent from the Accounts Payable department did reconcile the total of the cash disbursed to the total invoices but did not do it on an invoice by invoice basis.

### Questioned costs

None

### Context

All checks processed through the Accounts Payable department which averages to about 150 checks per week.

### Effect

Lack of such verification would enable a perpetrator to process a payment for non District related expenditures and deposit that check into a personal accounts.

### Recommendation

We recommend that the District reconcile the checks printed by the Information Technology Department by an accountant independent of the accounts payable department to ensure that checks disbursed are for approved district invoiced expenditures.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENTS FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### District Response

The account analyst independent of accounts payable staff is matching and sending out printed checks for payment requests without purchase orders currently. The District will assign account technicians or account analysts independent of accounts payable staff to reconcile all printed checks for all payments with or without purchase orders.

2010-2 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

Piedmont High School

- Ticket Control Sheets are not adequate and significant overages/shortages were noted between the cash collected and the number of tickets sold.
- No revenue potential forms were prepared
- Approvals were missing on some of the disbursements authorizations.

Evergreen High School

- It was noted that the site deposited some District lease of facilities funds in the study body account.

### Questioned costs

None

### 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. In addition, the District's lease of facilities funds could end up being blended with the study body funds and spent on non District authorized expenses.

### 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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENTS FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

much was collected should be performed for all major fundraisers. 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. In addition, the District should enforce a policy of having all site cash collections properly deposited into the District account rather than student body funds.

### District Response

The district has had a couple of webinars and meeting conferences in 2009/10. We will plan to have refresher workshops two to three times annually. We will remind site principals to send all donations and lease of facilities funds be sent in the District Office to deposit in the county treasurer account. We will ask the District's internal auditor to include in his scope of work sampling of ASB deposits and facilities use fees. The District is in the process of creating bank clearing accounts for the deposits of site/district receipts which will make the separation from ASB accounts more controllable. We have also drafted an ASB accountability manual with the procedures to be followed for fundraising activities and is awaiting approval by the cabinet.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

**2010-3 Code - 50000**

### **Criteria or Specific Requirements**

The District is required to report to the State the number of students served within the Special Education (CFDA 84.027, 84.173, 84.391 – ARRA and 84.392 – ARRA) program through a system referred to as the CASEMIS system. CASEMIS enrollment for Special Education program should be supported by current Individualized Education Program (IEP) forms.

### **Condition**

Based on our testing, it appears that internal controls related to reporting for Special Education as IEP forms are either missing or gaps exist between IEP forms, which is the primary support for the number of students reported as special education student. However, we were able to perform alternative audit procedures to support the number of special education students by tracing them to the District's general attendance system.

### **Questioned Costs**

None

### **Context**

VTD tested a sample of 40 Special Education Student noted in CASEMIS student listing report. After reviewing student's files, Auditor noted that of the 40 students, 6 students did not have an IEP form completed that covered the 2010 fiscal year. Of the 40 students, 19 students had a gap between the dates of IEP forms. IEP forms are to be re-evaluated annually and it was noted in the 19 cases that re-evaluation was not performed on a timely manner.

### **Effect**

The District may be providing Special Education services for students who do not qualify, and lack proper documentation to support eligibility of Special Education students.

### **Cause**

Procedures to ensure that students are provided timely and complete IEP evaluations are not adequate.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

### Recommendation

We recommend that the District provide timely IEP evaluations for students who receive Special Education services.

### District Response

The Special Services Department of East Side Union High School District has provided on an annual basis onsite in-services to Special Education staff and administration to impress upon them the importance of compliance with State and Federal law related to IDEA. Both coordinators and the program specialists were involved with these trainings.

In an attempt to monitor IEP annual review and educational benefit at each of the school sites, the District Office Special Services Department has designed with the approval of the Superintendent an IEP tracking matrix. The matrix was presented to principals with the expectation that it be implemented at all sites.

Program Specialists collect IEPs on a bi-weekly basis. Those IEPs are reviewed for accuracy and completeness. Some are returned to the school site for revision as necessary. The others are submitted to the Special Services registrar for input into CASEMIS in a timely manner. The Program Specialists create a list of the IEPs turned in at each school which is sent to the teachers who submitted IEPs, their site principal and special ed. coordinators indicating each IEP's status.

2010-4 Code - 50000

### Criteria or Specific Requirements

A student must meet the eligibility requirements for Title I (CFDA 84.010 and 84.389 – ARRA) programs in a targeted school program. The requirements are that the student qualifies as a low income student or the parents' education level is below high school level.

### Condition

We sampled 40 students, 8 of which did not meet these requirements.

### Questioned Costs

None, because effective July 1, 2010, all sites at the District are classified as schoolwide sites which allows the Title I services to be provided to all students at East Side.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Context**

All students identified as receiving Title I assistance at Foothill and Oak Grove during fiscal year 2010. These were the only targeted assistance sites at the District in the 2010 fiscal year.

### **Effect**

The District may be providing Title I services for students who do not qualify to receive those services.

The District will not be required to make any changes because effective 2010, all sites at the District are considered to be schoolwide sites which require no tracking for eligibility since all students at the site are qualified to receive Title I services.

### **Recommendation**

We recommend that the District keeps accurate records of the student eligibility for Title I

### **District Response**

During the 2009-10 audit, there were 8 students for whom we could not find a valid lunch form to indicate the students to be qualified for free/reduced lunch. The only explanation that we can arrive at is that during the course of the year, students enroll and withdraw from our schools and 1) the lunch form could be misplaced, 2) student was misidentified through our enrollment process at Title I.

Due to the fact that we are a PI district, there is a need to have accurate data to support our academic programs. Therefore, every effort is made to make sure that our student information system is updated with the most accurate data.

Moving forward, we've invested in a web based SI system and have trained our staff to maintain this system to prevent future lapses.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

None Reported.



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

### *Financial Statement Findings*

2009-1 Code 30000

#### *Internal Control*

#### **Finding**

##### 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.

#### **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 findings.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

*Federal Award Findings*

None reported.

*State Award Findings*

None reported.