

**EAST SIDE UNION
HIGH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**

EAST SIDE UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' 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, 2011, 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 2010-11*, 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, 2011, 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 15.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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, the budgetary comparison and other postemployment information as listed in the table of contents, are not a required part of the basic financial statements, but are 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.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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, 2011. 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 24,342, which is a decrease of 688 and P2 ADA was 23,159, which is a decrease of 474 from the prior year. The District is allowed to use prior year ADA net of charter school movement, 23,558 due to declining enrollment.
- The District received a negative 0.39% (\$29/ADA) for cost of living adjustment to their revenue limit (COLA) or \$683 thousand less. The District's revenue limit was also reduced by 17.963% deficit factor or \$31.5 million. The overall impact to the District was a reduction in revenue limit with the amount of \$32.2 million.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

- The District received slightly less (1.25% decrease from the prior year) in Title I funding and No Child Left-Behind Program Improvement.
- One time Federal Stimulus Education Jobs Grant for \$4.2 million was received, while all other Stimulus grants - ARRA and SFSF sunset in fiscal year 2011/12.
- The District maintained class sizes similar to the previous year at 33 to 1 average.
- Two bargaining units-certificated and classified agreed to have 5 furlough days in the school year.
- All administrators and managers received a salary pay cut of 2.747%.
- The District maintained a minimum workforce by reducing more certificated and classified staff.
- The District completed the second phase of the solar panels to generate renewable energy savings at the remaining school sites.
- The District monitors the budget conservatively and have a \$24.8 million unrestricted fund balance, \$931 thousand restricted fund balance and \$9.4 million in General Reserve for economic uncertainties.
- The District Measure G and E had successfully completed the following projects in 2011:
 - Andrew Hill - Title IX Dugout and Fencing
 - Foothill - Modernization of buildings B, C and E
 - James Lick - Title IX Field Work Scoreboard
 - James Lick - Title IX Field Improvement
 - James Lick - Child Development Center
 - Mount Pleasant - Title IX Field Work Dugout and Fence
 - Silver Creek - Title IX Field Work Dugout and Fence
 - Oak Grove - Title IX Field Work Dugout and Fence
 - W.C. Overfelt - Title IX Field Improvement
 - Piedmont Hills - Title IX Field Work Softball Field/Scoreboard
 - Oak Grove - Modernization of building D
 - Independence - Title IX Field Work Scoreboard
 - Santa Teresa - Title IX Interior

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, 2011

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 and other 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, 2011

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 \$93.2 and \$74.0 million for the fiscal years ended June 30, 2011 and 2010, 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	
	2011	2010	2011	2010
Current and other assets	\$ 258,117,054	\$ 286,192,685	\$ 298,678	\$ 147,934
Prepays for OPEB	20,418,222	19,822,733	-	-
Capital assets	511,315,428	465,254,875	107,359	130,628
Total Assets	789,850,704	771,270,293	406,037	278,562
Current liabilities	32,444,025	40,287,266	2,469	39,872
Long-term debt	664,200,333	657,030,255	-	-
Total Liabilities	696,644,358	697,317,521	2,469	39,872
Net assets				
Invested in capital assets, net of related debt	28,606,844	25,245,361	107,359	130,628
Restricted	35,861,360	37,421,115	72,562	87,972
Unrestricted	28,738,142	11,286,296	223,647	20,090
Total Net Assets	\$ 93,206,346	\$ 73,952,772	\$ 403,568	\$ 238,690

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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	
	2011	2010	2011	2010
Revenues				
Program revenues				
Charges for services	\$ 414,735	\$ 194,975	\$ 2,060,073	\$ 2,276,300
Operating grants and contributions	34,217,430	42,013,487	3,806,172	3,689,244
Capital grants and contributions	7,700,407	14,321,628	-	-
General revenues:				
State and federal sources	94,008,569	77,742,594	-	-
Taxes	120,059,442	125,224,102	-	-
Other general revenues	12,981,386	23,030,512	-	-
Total Revenues	269,381,969	282,527,298	5,866,245	5,965,544
Expenses				
Instruction related	167,339,052	172,969,031	-	-
Student support services	21,638,143	24,759,769	-	-
Administration	12,038,397	10,897,141	-	-
Maintenance and operations	16,979,284	32,343,466	-	-
Other outgo	570,529	1,755,696	-	-
Interest and other	31,562,990	30,269,083	5,701,367	5,726,854
Total Expenses	250,128,395	272,994,186	5,701,367	5,726,854
Change in Net Assets	\$ 19,253,574	\$ 9,533,112	\$ 164,878	\$ 238,690

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 \$250.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenues was only \$207.8 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$41.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$120.1 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, 2011

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>2011</u>	<u>2010</u>
Instruction and related services	\$ 136,058,535	\$ 129,948,710
Pupil services	13,081,301	14,980,071
General administration	10,707,007	8,687,147
Maintenance and operations	16,913,548	23,046,433
Interest	29,354,808	30,269,083
Other	1,680,624	1,633,565
Totals	<u><u>\$ 207,795,823</u></u>	<u><u>\$ 216,464,096</u></u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$222.0 million, which was an increase of \$26.8 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 2011. (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 negative 0.39% cost of living adjustment with a 17.963% deficit factor attachment to the General Fund revenue limit. In addition, the District experienced a decline in its enrollment of 688. Other highlights include receiving \$4.2 million of Federal Education Job Grant, while all other funding from Federal Stimulus-ARRA, SFSF Grants are sunset this fiscal year.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District governmental activities had \$511.3 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 \$46.1 million, or 9.9 percent, from last year. There were no significant changes in business-type activities capital assets.

Table 4

	Governmental Activities		Business Activities	
	2011	2010	2011	2010
Land	\$ 25,442,454	\$ 25,442,454	\$ -	\$ -
Construction in progress	51,344,194	90,723,401	-	-
Buildings and improvements	532,067,125	430,989,100	-	-
Furniture and Equipment	25,732,849	25,695,835	505,422	505,422
Total Assets	634,586,622	572,850,790	505,422	505,422
Less Accumulated Depreciation	123,271,193	107,595,915	398,063	374,794
Totals	\$ 511,315,429	\$ 465,254,875	\$ 107,359	\$ 130,628

Several capital projects are planned for the 2011-2012 and 2012-2013 years. We anticipate capital additions to be approximately \$219 million for the two upcoming years.

The following Measures G and E projects are planned for fiscal year 2011-12:

- Andrew Hill - Title IX Interior
- Calero - Modernization of School
- James Lick - Fire Science Academy
- James Lick - Title IX Interior
- James Lick - New Classroom Building 500
- Independence - Title IX Interior
- Mount Pleasant - Modernization Buildings 200, 300, 600, 700 & 800
- Mount Pleasant - Classroom/Multi-Purpose Buildings
- Silver Creek - Title IX Interior
- Silver Creek - New Multipurpose Building
- Oak Grove - Title IX Interior
- Piedmont Hills - New Auxiliary Gym Building
- Santa Teresa - Multi Purpose Building
- Yerba Buena - Modernization of Building 700
- Yerba Buena - Modernization of Building 100
- Yerba Buena - Title IX Interior
- W. C. Overfelt - Title IX Interior
- W.C. Overfelt - Modernization of Building C & E Wing
- W.C. Overfelt Adult Education - New Classroom Facility

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The following Measures G and E projects are planned for fiscal year 2012-13; some of such projects will not be completed until fiscal year 2013-14:

- Andrew Hill - Modernize Building 100/Classroom, K/Library, D/Multi-Use Building
- Andrew Hill – Campus Addition/New Science Building
- James Lick - Modernize Multi-Use Building 900
- W.C. Overfelt - Modernize Special Education Building J
- W.C. Overfelt - Modernize Classroom Building D
- Piedmont Hills - Modernize Special Education B4/New Science Building
- Piedmont Hills - Site Lighting Replacement/Addition
- Oak Grove - Modernize Building U
- Oak Grove - Modernize Theater Building I
- Silver Creek - Modernize Toilet Rooms (Student/Staff Buildings D, K, O, S)/New Toilet Rooms (Students)
- Silver Creek - Paving, Fencing and Site Improvements
- Silver Creek - Site Lighting Replacement/Addition
- Yerba Buena - Modernize/Addition to Theater Building 500
- Yerba Buena - Modernize Ceramics Portion of Building 1000
- Yerba Buena - Paving, Fencing and Site Improvements
- Yerba Buena - Site Lighting Replacement/Addition
- Independence - Modernize Performing Arts Center Building F/Modernize Visual Arts Complex Building
- Independence Modernize Buildings L2-4 & N1-2
- Santa Teresa - Modernize Unit 100, 200, 400, 700, 1300 & 1400
- Santa Teresa - Site Lighting Replacement/Addition
- Evergreen Valley - Misc Building Improvements
- Evergreen Valley – Paving, Fencing & Site Improvements

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Long-Term Obligations

The District issued \$46.16 million in 2010 Refunding Bond to advance refund the 1999 Series C and the 2002 Series B bonds.

Table 5

	Governmental Activities	2010 Governmental Activities
General obligation bonds	\$ 592,810,347	\$ 602,659,313
Premium	16,277,746	14,801,271
Defeasance costs	(4,779,677)	(2,051,629)
OPEB revenue bond	31,635,000	31,815,000
Capital Leases	197,615	387,520
Equipment Loan	25,003,633	10,112,273
Accumulated vacation - net	3,055,669	2,959,990
Totals	\$ 664,200,333	\$ 660,683,738

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 \$592.8 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, 2011

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-2011 ARE NOTED BELOW:

The District's performance in the California Standards Test (CST) demonstrated improvement this year. All grades increased performance in the different content areas. Grade 9 showed a 3 year trend of improvement in English Language Arts and Geometry. The number of 9th graders taking Algebra II has increased and performance has been steady. There continues to be an increase in the number of 9th grade students taking Geometry. In addition students in algebra 2 scored above the state level in 9th and 11th grade. East Side students performed above the state average in Physics at all grade levels and there were 16.67% improvement for 10th graders from the previous year. 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 performed just 1% behind the state average for passing English Language Arts while showing 2% gain in the percent of students passing the Mathematics portion of the CAHSEE. The results of or the CAHSEE remains slightly above the state average passage rate. East Side has increased the Academic Performance Index (API) each year from 2008/09 to current. For 2010-11 District API growth increased 14 points responding to the increase in student test scores. The class of 2011 showed a 1% increase in graduates. The District will continue to monitor closing the achievement gap and increase the percent of students graduating high school. The District completed the solar project on all campuses and had produced renewable energy and saved general fund operating costs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Budget for the 2011-2012 fiscal year, the District Board and Management made several assumptions. Among those assumptions is that the State will provide a general fund revenue limit cost of living adjustment (COLA) of 2.24% but reduce the revenue limit by a 19.754% deficit factor. The State may enact mid-year trigger cuts, if State revenues fall behind projection. The impact to East Side Union High School District is projected to be \$300 per ADA or an estimated of \$7 million reduction to the District revenue limit. This will be factored into the District's First Interim projections. The District will only provide a limited Summer Program for Special Education and lack of credit make-ups and maintain previously enacted budget reductions; such as increase class size, furlough days and salary reduction for administrators and managers. All employees are paying more co-pay for doctor visits and prescriptions to lower medical benefit cost for the District. The District's Governing Board has increased the minimum fund balance for economic uncertainties from 3% to 6%.

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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Deposits and investments	\$ 209,753,952	\$ 678,438	\$ 210,432,390
Receivables	37,251,020	454,229	37,705,249
Internal balances	906,551	(906,551)	-
Prepaid expenses	493,292	-	493,292
Deferred charges	9,262,605	-	9,262,605
Stores inventories	206,980	72,562	279,542
Other current assets	242,654	-	242,654
Postemployment benefits contributions	20,418,222	-	20,418,222
Capital assets not depreciated	76,786,648	-	76,786,648
Capital assets, net of accumulated depreciation	434,528,780	107,359	434,636,139
Total Assets	<u>789,850,704</u>	<u>406,037</u>	<u>790,256,741</u>
LIABILITIES			
Accounts payable	15,305,202	2,469	15,307,671
Interest payable	9,451,565	-	9,451,565
Deferred revenue	6,414,142	-	6,414,142
Claims liability	1,273,116	-	1,273,116
Current portion of long-term obligations	17,608,340	-	17,608,340
Noncurrent portion of long-term obligations	646,591,993	-	646,591,993
Total Liabilities	<u>696,644,358</u>	<u>2,469</u>	<u>696,646,827</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,606,844	107,359	28,714,203
Restricted for:			
Debt service	18,588,338	-	18,588,338
Capital projects	3,007,274	-	3,007,274
Legally restricted	10,896,685	72,562	10,969,247
Self insurance	3,369,063	-	3,369,063
Unrestricted	28,738,142	223,647	28,961,789
Total Net Assets	<u>\$ 93,206,346</u>	<u>\$ 403,568</u>	<u>\$ 93,609,914</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 141,071,828	\$ 81,693	\$ 16,215,956	\$ 7,700,407
Instruction-related activities:				
Supervision of instruction	11,889,849	478	6,581,242	-
Instructional library and technology	603,133	-	79,346	-
School site administration	13,774,242	5,084	616,311	-
Pupil services:				
Home-to-school transportation	5,080,966	301,435	1,492,589	-
All other pupil services	16,557,177	1,064	6,761,754	-
Administration:				
Data processing	3,090,090	-	165,619	-
All other administration	8,948,307	21,824	1,143,947	-
Plant services	16,979,284	3,157	62,579	-
Ancillary services	1,985,694	-	1,075,896	-
Enterprise services	222,488	-	-	-
Interest on long-term obligations	29,354,808	-	-	-
Other outgo	570,529	-	22,191	-
Total Governmental Activities	250,128,395	414,735	34,217,430	7,700,407
Business-Type Activities				
Food services	5,458,989	1,972,495	3,644,363	-
Administration	242,378	87,578	161,809	-
Total Business-Type Activities	5,701,367	2,060,073	3,806,172	-
Total Primary Government	\$ 255,829,762	\$ 2,474,808	\$ 38,023,602	\$ 7,700,407
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Transfers				
Miscellaneous				
Subtotal, General Revenues				
Change in Net 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
\$ (117,073,772)	\$ -	\$ (117,073,772)
(5,308,129)	-	(5,308,129)
(523,787)	-	(523,787)
(13,152,847)	-	(13,152,847)
(3,286,942)	-	(3,286,942)
(9,794,359)	-	(9,794,359)
(2,924,471)	-	(2,924,471)
(7,782,536)	-	(7,782,536)
(16,913,548)	-	(16,913,548)
(909,798)	-	(909,798)
(222,488)	-	(222,488)
(29,354,808)	-	(29,354,808)
(548,338)	-	(548,338)
(207,795,823)	-	(207,795,823)
-	157,869	157,869
-	7,009	7,009
-	164,878	164,878
(207,795,823)	164,878	(207,630,945)
80,755,022	-	80,755,022
38,973,531	-	38,973,531
330,889	-	330,889
94,008,569	-	94,008,569
1,936,506	-	1,936,506
155,767	-	155,767
10,889,113	-	10,889,113
227,049,397	-	227,049,397
19,253,574	164,878	19,418,452
73,952,772	238,690	74,191,462
\$ 93,206,346	\$ 403,568	\$ 93,609,914

EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 17,817,111	\$ 131,227,881	\$ 28,020,844
Receivables	33,813,146	237,079	19,059
Due from other funds	1,192,051	-	-
Stores inventories	206,980	-	-
Total Assets	<u>\$ 53,029,288</u>	<u>\$ 131,464,960</u>	<u>\$ 28,039,903</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,473,254	\$ 3,657,845	\$ -
Due to other funds	-	-	-
Deferred revenue	6,207,406	-	-
Total Liabilities	<u>17,680,660</u>	<u>3,657,845</u>	<u>-</u>
Fund Balances:			
Nonspendable	209,480	-	-
Restricted	931,308	127,807,115	28,039,903
Committed	-	-	-
Assigned	-	-	-
Unassigned	34,207,840	-	-
Total Fund Balances	<u>35,348,628</u>	<u>127,807,115</u>	<u>28,039,903</u>
Total Liabilities and Fund Balances	<u>\$ 53,029,288</u>	<u>\$ 131,464,960</u>	<u>\$ 28,039,903</u>

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

Non Major Governmental Funds	Total Governmental Funds
\$ 28,286,889	\$ 205,352,725
3,181,736	37,251,020
-	1,192,051
-	206,980
<u>\$ 31,468,625</u>	<u>\$ 244,002,776</u>

\$ 172,401	\$ 15,303,500
285,500	285,500
206,736	6,414,142
<u>664,637</u>	<u>22,003,142</u>

-	209,480
22,001,239	178,779,565
8,752,395	8,752,395
50,354	50,354
-	34,207,840
<u>30,803,988</u>	<u>221,999,634</u>
<u>\$ 31,468,625</u>	<u>\$ 244,002,776</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

Total Fund Balance - Governmental Funds	\$ 221,999,634
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	634,586,621
Accumulated depreciation is	(123,271,193)
	511,315,428
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.	9,262,605
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.	(9,451,565)
Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as a prepaid in the government-wide statements. On the governmental funds, the contribution are treated as expenditures.	20,418,222
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	3,862,355
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	592,810,347
Defeasance cost	(4,779,677)
Premium	16,277,746
OPEB revenue bonds	31,635,000
Capital leases payable	197,615
Equipment loans	25,003,633
Compensated absences (vacations)	3,055,669
	(664,200,333)
Total Net Assets - Governmental Activities	\$ 93,206,346

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, 2011**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
REVENUES			
Revenue limit sources	\$ 143,152,648	\$ -	\$ -
Federal sources	19,751,824	-	-
Other State sources	30,959,075	-	374,042
Other local sources	14,988,801	1,591,499	38,691,187
Total Revenues	<u>208,852,348</u>	<u>1,591,499</u>	<u>39,065,229</u>
EXPENDITURES			
Current			
Instruction	126,228,710	-	-
Instruction-related activities:			
Supervision of instruction	10,472,972	-	-
Instructional library, media and technology	547,796	-	-
School site administration	10,549,896	-	-
Pupil services:			
Home-to-school transportation	4,692,010	-	-
All other pupil services	15,147,296	-	-
Administration:			
Data processing	2,853,538	-	-
All other administration	7,938,013	-	-
Plant services	15,583,632	-	-
Facility acquisition and construction	-	35,614,273	-
Ancillary services	1,833,686	-	-
Other outgo	570,529	-	-
Debt service			
Principal	598,661	-	15,040,000
Interest and other	2,084,139	2,195,500	21,865,424
Total Expenditures	<u>199,100,878</u>	<u>37,809,773</u>	<u>36,905,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,751,470</u>	<u>(36,218,274)</u>	<u>2,159,805</u>
Other Financing Sources (Uses)			
Transfers in	4,448,787	-	-
Transfers out	-	(326,677)	-
Net Financing Sources (Uses)	<u>4,448,787</u>	<u>(326,677)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14,200,257	(36,544,951)	2,159,805
Fund Balance - Beginning	21,148,371	164,352,066	25,880,098
Fund Balance - Ending	<u>\$ 35,348,628</u>	<u>\$ 127,807,115</u>	<u>\$ 28,039,903</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 143,152,648
977,010	20,728,834
16,176,695	47,509,812
865,110	56,136,597
<u>18,018,815</u>	<u>267,527,891</u>
4,513,781	130,742,491
506,690	10,979,662
9,166	556,962
2,169,905	12,719,801
-	4,692,010
142,402	15,289,698
-	2,853,538
220,070	8,158,083
1,009,761	16,593,393
11,887,451	47,501,724
-	1,833,686
-	570,529
-	15,638,661
-	26,145,063
<u>20,459,226</u>	<u>294,275,301</u>
<u>(2,440,411)</u>	<u>(26,747,410)</u>
-	4,448,787
<u>(4,122,110)</u>	<u>(4,448,787)</u>
<u>(4,122,110)</u>	-
<u>(6,562,521)</u>	<u>(26,747,410)</u>
37,366,509	248,747,044
<u>\$ 30,803,988</u>	<u>\$ 221,999,634</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, 2011

Total Net Change in Fund Balances - Governmental Funds		\$ (26,747,410)
Amounts Reported for Governmental Activities in the Statement of Activities are Different		
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	\$ 61,735,831	
Depreciation expense	<u>(15,675,278)</u>	46,060,553
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 less than the amounts earned by \$95,679		(95,679)
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)
Issuance of refunding bonds is recognized as a liability on the revenues, expenditures and changes in fund balances.		(46,160,000)
Payment of the refunded bonds is not recognized as an expense in the statement of revenues, expenditures and changes in fund balances but is recorded as a long-term debt on the statement of net assets and does not impact the statement of activities.		44,710,000
Loss on refunding of the bonds is recorded as a deferred charge on the statement of net assets and is removed from the statement of revenues, expenditures and changes in fund balances.		2,873,202
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.		822,809
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.		(2,246,011)
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.		769,536
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.		(424,119)
Proceeds received from the 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.		(14,619,998)

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, 2011

Interest accrual on equipment loans is not recognized in the governmental funds but is recorded as an expense on the statement of activities.		(500,118)
In the governmental funds, the receipt of the special education settlement is reported as revenue in the year received. On the statement of net assets, the amount is recorded as a receivable and payment received in the current year reduces the receivable amount.		(104,502)
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.		(3,741,034)
The overfunded portion of the Other Postemployment Benefits Annual Required Contribution (ARC) is not recorded in the governmental funds. In the Statement of activities, the overfunded portion of the ARC is removed from expenses.		595,489
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	15,040,000	
Capital Leases	189,905	
Equipment loans	228,756	
Other Postemployment Benefit Bonds	<u>180,000</u>	15,638,661
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of these two factors.		1,600,680
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds.		
The net gain of the internal service fund is reported with the government-wide activities.		<u>966,669</u>
Change in Net Assets - Government-Wide Activities		<u>\$ 19,253,574</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, 2011

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 678,438	\$ 4,401,227
Receivables	454,229	-
Prepaid expenses	-	493,292
Stores inventories	72,562	-
Other current assets	-	242,654
Total Current Assets	<u>1,205,229</u>	<u>5,137,173</u>
Noncurrent Assets		
Furniture and equipment (net)	107,359	-
Total Assets	<u>1,312,588</u>	<u>5,137,173</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,469	1,274,818
Due to other funds	906,551	-
Claim liabilities	-	-
Total Current Liabilities	<u>909,020</u>	<u>1,274,818</u>
NET ASSETS		
Invested in capital assets, net of related debt	107,359	-
Legally restricted for stores and prepaids	72,562	493,292
Restricted for programs	223,647	3,369,063
Total Net Assets	<u>\$ 403,568</u>	<u>\$ 3,862,355</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, 2011

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Sales	\$ 2,060,073	\$ -
Other local revenue	10,723	1,189,044
Total Operating Revenues	<u>2,070,796</u>	<u>1,189,044</u>
OPERATING EXPENSES		
Payroll costs	3,734,589	-
Supplies and materials	1,669,654	38,195
Equipment rental	7,446	16,170
Claims	-	3,421,752
Other operating cost	266,411	69,911
Total Operating Expenses	<u>5,678,100</u>	<u>3,546,028</u>
Operating Loss	<u>(3,607,304)</u>	<u>(2,356,984)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	17	-
Federal grants	3,485,379	-
State grants	310,055	-
Indistrict contributions	-	3,323,653
Depreciation expense	(23,269)	-
Total Nonoperating Revenues	<u>3,772,182</u>	<u>3,323,653</u>
Change in net assets	164,878	966,669
Total Net Assets - Beginning	<u>238,690</u>	<u>2,895,686</u>
Total Net Assets - Ending	<u>\$ 403,568</u>	<u>\$ 3,862,355</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, 2011**

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 2,070,796	\$ 1,189,044
Cash payments to employees for services	(4,302,392)	-
Cash payments for insurance claims	-	(3,482,383)
Cash payments to suppliers for goods and services	(1,965,504)	820,118
Net Cash Used For Operating Activities	<u>(4,197,100)</u>	<u>(1,473,221)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and contributions	3,926,524	-
Cash received from assessments made to other funds	-	3,325,453
Net Cash Provided by Noncapital Financing Activities	<u>3,926,524</u>	<u>3,325,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	17	-
Net increase (decrease) in cash and cash equivalents	(270,559)	1,852,232
Cash and cash equivalents - Beginning	948,997	2,548,995
Cash and cash equivalents - Ending	<u>\$ 678,438</u>	<u>\$ 4,401,227</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:		
Operating loss	\$ (3,607,304)	\$ (2,356,984)
Changes in assets and liabilities:		
Other assets	-	1,354,555
Claims liabilities	-	(1,415,186)
Inventories	15,410	-
Prepaid expense	-	(323,876)
Account payable	(37,403)	1,268,270
Due to other fund	(567,803)	-
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (4,197,100)</u>	<u>\$ (1,473,221)</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, 2011

	<u>Retiree Benefits</u>	<u>Scholarships</u>	<u>Student Bodies</u>
ASSETS			
Deposits and investments	<u>\$ 21,344,266</u>	<u>\$ 75,107</u>	<u>\$ 2,135,822</u>
LIABILITIES			
Due to student groups	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135,822</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 2,135,822</u>
NET ASSETS			
Restricted	<u>21,344,266</u>	<u>75,107</u>	
Total Net Assets	<u>\$ 21,344,266</u>	<u>\$ 75,107</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, 2011**

	<u>Retiree Benefits</u>	<u>Scholarships</u>
ADDITIONS		
Investment Income	\$ 3,483,644	\$ -
DEDUCTIONS		
Operating expenditure	29,637	-
Scholarships awarded	-	4,950
Total Deductions	<u>29,637</u>	<u>4,950</u>
Change in Net Assets	3,454,007	(4,950)
Net Assets - Beginning	17,890,259	80,057
Net Assets - Ending	<u>\$ 21,344,266</u>	<u>\$ 75,107</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 and report all financial resources not accounted for and reported in another fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

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, 2011

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for funds committed for adult education purposes.

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 funds committed for deferred maintenance purposes.

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 committed for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the 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, 2011, 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Accrued Liabilities and Long-Term Obligations

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

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

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Net Assets

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

Changes in Accounting Principles

In March 2009, the GASB issued 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 initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2011

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 205,352,725
Proprietary funds	5,079,665
Fiduciary funds	23,555,195
Total Deposits and Investments	<u>\$ 233,987,585</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 4,616,005
Cash in revolving	2,600
Investments	229,368,980
Total Deposits and Investments	<u>\$ 233,987,585</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, 2011

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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	\$ 2,554,992	\$ 2,554,992	1.17
Mutual Funds	24,805,274	24,805,274	0.00
County Pool	201,808,714	202,511,008	0.82
Certificate of Deposits	200,000	200,000	0.02
Total	\$ 229,368,980	\$ 230,071,274	

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	\$ 2,554,992	\$ 2,554,992	\$ 2,554,992	\$ -
Mutual Funds	24,805,274	24,805,274	-	24,805,274
County Pool	201,808,714	202,511,008	-	202,511,008
Certificate Deposit	200,000	200,000	-	200,000
Total	\$ 229,368,980	\$ 230,071,274	\$ 2,554,992	\$ 227,516,282

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, 2011, District bank balances of \$3,286,974 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, 2011

NOTE 3 – RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption Fund	Nonmajor Funds	Total	Proprietary
Federal Government						
Categorical aid	\$ 3,076,436	\$ -	\$ -	\$ 790,539	\$ 3,866,975	\$ 413,562
State Government						
Apportionment	23,894,229	-	-	2,247,261	26,141,490	-
Categorical aid	3,551,553	-	-	90,661	3,642,214	36,797
Lottery	1,692,737	-	-	-	1,692,737	-
Interest	33,696	237,060	19,059	40,713	330,528	-
Other Local Sources	1,564,495	19	-	12,562	1,577,076	3,870
Total	<u>\$33,813,146</u>	<u>\$237,079</u>	<u>\$ 19,059</u>	<u>\$3,181,736</u>	<u>\$37,251,020</u>	<u>\$ 454,229</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in Progress	90,723,401	61,698,817	101,078,024	51,344,194
Total Capital Assets not being depreciated	116,165,855	61,698,817	101,078,024	76,786,648
Capital Assets being depreciated:				
Buildings	416,518,477	62,816,369	-	479,334,846
Site Improvement	14,470,623	38,261,655	-	52,732,278
Equipment	25,695,835	37,014	-	25,732,849
Total Capital Assets being depreciated	456,684,935	101,115,038	-	557,799,973
Total Capital Assets	572,850,790	162,813,855	101,078,024	634,586,621
Less Accumulated Depreciation:				
Buildings	91,545,025	11,910,138	-	103,455,163
Site Improvement	3,193,605	2,108,668	-	5,302,273
Equipment	12,857,285	1,656,472	-	14,513,757
Total Accumulated Depreciation	107,595,915	15,675,278	-	123,271,193
Governmental Activities Capital Assets, Net	\$ 465,254,875	\$ 147,138,577	\$ 101,078,024	\$ 511,315,428
Business-Type Activities				
Furniture and Equipment	\$ 505,422	\$ -	\$ -	\$ 505,422
Less Accumulated Depreciation	374,794	23,269	-	398,063
Business-Type Activities Capital Assets, Net	\$ 130,628	\$ (23,269)	\$ -	\$ 107,359

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

Governmental Activities

Instruction	\$ 10,550,412
Supervision of Instruction	892,074
Instructional Library and Media	45,252
School Site Administration	1,033,457
Home to School Transportation	381,216
Food Services	443,531
All Other Pupil Services	1,242,255
Anciliary Services	148,983
Enterprise Activities	16,693
All General Administration	689,561
Data Processing Services	231,844
Total Depreciation Expenses, Governmental Activities	<u>\$ 15,675,278</u>

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2011, between major, nonmajor governmental funds and enterprise funds are as follows:

Due From	Due To		Total
	Non-major Fund	Cafeteria Enterprise Fund	
General Fund	\$ 285,500	\$ 906,551	\$ 1,192,051

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, 2011

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfer in	Transfer out		
	Building Fund	Nonmajor Fund	Total
General Fund	\$ 326,677	\$ 4,122,110	\$ 4,448,787

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

\$ 326,677

The Adult Education Fund transferred to the General Fund for support.

3,872,110

The Deferred Maintenance Fund transferred to the General Fund for support.

250,000

\$ 4,448,787

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 2,105,413	\$ 3,651,389	\$ 71,571	\$ 5,828,373	\$ 1,275,585
State apportionment	2,176,227	6,456	-	2,182,683	-
Salaries and benefits	7,191,614	-	100,830	7,292,444	1,702
Total	<u>\$ 11,473,254</u>	<u>\$ 3,657,845</u>	<u>\$ 172,401</u>	<u>\$ 15,303,500</u>	<u>\$ 1,277,287</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 911,970	\$ 26,840	\$ 938,810
State categorical aid	60,470	50,094	110,564
Other local	5,234,966	129,802	5,364,768
Total	<u>\$ 6,207,406</u>	<u>\$ 206,736</u>	<u>\$ 6,414,142</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, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	\$ 602,659,313	\$ 49,901,034	\$ 59,750,000	\$ 592,810,347	\$ 15,133,582
Premium	14,801,271	2,246,011	769,536	16,277,746	901,654
Defeasance costs	(2,051,629)	(2,873,202)	(145,154)	(4,779,677)	(314,166)
OPEB revenue bonds	31,815,000	-	180,000	31,635,000	230,000
Capital leases	387,520	-	189,905	197,615	197,615
Equipment Loans	10,112,273	15,120,116	228,756	25,003,633	1,459,655
Accumulated vacation - net	2,959,990	95,679	-	3,055,669	-
	<u>\$ 660,683,738</u>	<u>\$ 64,489,638</u>	<u>\$ 60,973,043</u>	<u>\$ 664,200,333</u>	<u>\$ 17,608,340</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

In the current fiscal year, the District issued \$46.16 million in General Obligation Bonds with interest rates ranging from 2.0% to 5.0% to advance refund \$44.71 million of outstanding 1999 Series C and 2002 Series B bonds with interest rates ranging from 2.5 to 5.5 percent. The net proceeds of \$47.59 million (after receipt of premiums of \$2.25 million and payment of \$.82 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1999 Series C and the 2002 Series B bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt on the financial statements. Although the advance refunding resulted in the recognition of an accounting loss of \$2.87 million for the year ended June 30, 2011, the District in effect reduced its aggregate debt service payments by almost \$.93 million over the next 17 years.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2010	Accreted/ Issued	Redeemed	Outstanding June 30, 2011
Current Interest Bond							
1999 Refunding	2010	3.7%-4.8%	\$ 20,900,000	\$ 3,485,000	\$ -	\$ 1,090,000	\$ 2,395,000
2002B	2027	2.5%-5.5%	30,000,000	25,555,000	-	25,555,000	-
2003 Refunding	2022	3.0%-4.6%	36,795,000	27,130,000	-	1,745,000	25,385,000
1999C	2024	3.1%-5.0%	24,500,000	20,895,000	-	20,895,000	-
2003 Refunding	2025	2.0%-5.3%	97,160,000	77,015,000	-	2,205,000	74,810,000
2002 Series C	2029	4.0%-5.0%	50,000,000	43,925,000	-	1,450,000	42,475,000
2002 Series D	2030	3.5%-5.0%	70,000,000	64,460,000	-	2,055,000	62,405,000
2003 Series F	2036	4.0%-5.0%	50,000,000	47,410,000	-	1,025,000	46,385,000
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	11,510,000	-	340,000	11,170,000
2008 Series A	2039	4.0%-5.0%	50,000,000	49,500,000	-	790,000	48,710,000
2002 Series H	2034	5.1%-6.0%	18,000,000	17,950,000	-	125,000	17,825,000
2008 Series B	2040	3.0%-5.0%	100,000,000	100,000,000	-	-	100,000,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	-	46,160,000	-	46,160,000
Sub-Total			<u>601,565,000</u>	<u>531,500,000</u>	<u>46,160,000</u>	<u>57,275,000</u>	<u>520,385,000</u>
Capital Appreciation							
1991 Series F	2011	4.9%	2,999,956	2,475,000	-	2,475,000	-
1999 Series A	2025	5.3%-6.5%	25,499,993	6,108,262	399,883	-	6,508,145
2002 Series E	2030	4.2%-5.1%	29,999,529	39,427,397	2,168,280	-	41,595,677
2002 Series G	2032	4.6%-6.9%	19,997,739	23,148,654	1,172,871	-	24,321,525
Sub-Total			<u>78,497,217</u>	<u>71,159,313</u>	<u>3,741,034</u>	<u>2,475,000</u>	<u>72,425,347</u>
Total General Obligation Bonds			<u>\$ 680,062,217</u>	<u>\$ 602,659,313</u>	<u>\$ 49,901,034</u>	<u>\$ 59,750,000</u>	<u>\$ 592,810,347</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Debt Service Requirements to Maturity

The bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 15,133,582	\$ 23,962,509	\$ 39,096,091
2013	17,485,877	23,662,670	41,148,547
2014	17,990,000	21,164,726	39,154,726
2015	19,005,000	20,470,623	39,475,623
2016	21,145,977	20,725,157	41,871,134
2017-2021	123,777,850	97,312,431	221,090,281
2022-2026	168,627,389	78,788,809	247,416,198
2027-2031	100,201,721	72,612,167	172,813,888
2032-2036	57,509,332	23,028,695	80,538,027
2037-2040	32,790,000	3,148,750	35,938,750
subtotal	<u>573,666,728</u>	<u>\$ 384,876,536</u>	<u>\$ 958,543,264</u>
Accretion to date	19,143,619		
Total	<u>\$ 592,810,347</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, 2011, the total amount of defeased debt outstanding but removed from the Long-Term Obligations is \$66,925,533.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2010	Redeemed	Bonds Outstanding June 30, 2011
OPEB Bonds	2036	5.18%-5.32%	\$ 32,050,000	\$ 31,815,000	\$ 180,000	\$ 31,635,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
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	450,000	1,612,303	2,062,303
2017-2021	3,295,000	7,642,453	10,937,453
2022-2026	5,510,000	6,560,624	12,070,624
2027-2031	8,540,000	4,791,724	13,331,724
2032-2036	12,610,000	2,111,774	14,721,774
Total	<u>\$ 31,635,000</u>	<u>\$ 29,341,102</u>	<u>\$ 60,976,102</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$3,055,669.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Leases

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

	Capital Leases
Balance, July 1, 2011	\$ 387,520
Payments	189,905
Balance, June 30, 2011	<u>\$ 197,615</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
<u>2012</u>	\$ 205,639
Less: Amount Representing Interest	8,024
Present Value of Minimum Lease Payments	<u>\$ 197,615</u>

Equipment Leases

The District financed its purchases a VOIP system and Solar Panel installation in 2010. In 2011, the District financed \$14,619,998 of its second phase of Solar Panel installations with an additional interest of \$500,118 accrued on these loans in the current year. The District's liabilities for equipment loans are summarized below:

	Equipment Loans
Balance, July 1, 2010	\$ 10,112,273
Additions	15,120,116
Payments	228,756
Balance, June 30, 2011	<u>\$ 25,003,633</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The combined equipment leases have minimum payments as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,459,655	\$ 1,145,809	\$ 2,605,464
2013	1,901,054	1,069,012	2,970,066
2014	1,969,813	988,413	2,958,226
2015	2,100,296	902,555	3,002,851
2016	2,035,622	810,454	2,846,076
2017-2021	6,341,467	3,035,995	9,377,462
2022-2026	8,844,947	1,177,754	10,022,701
2027	350,779	3,955	354,734
Total	<u>\$ 25,003,633</u>	<u>\$ 9,133,947</u>	<u>\$ 34,137,580</u>

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores inventories	206,980	-	-	-	206,980
Total Nonspendable	<u>209,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,480</u>
Restricted					
Legally restricted programs	931,308	-	-	-	931,308
Capital projects	-	127,807,115	-	22,001,239	149,808,354
Debt services	-	-	28,039,903	-	28,039,903
Total Restricted	<u>931,308</u>	<u>127,807,115</u>	<u>28,039,903</u>	<u>22,001,239</u>	<u>178,779,565</u>
Committed					
Adult education program	-	-	-	3,069,981	3,069,981
Deferred maintenance	-	-	-	204,001	204,001
Postemployment benefits	-	-	-	5,478,413	5,478,413
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,752,395</u>	<u>8,752,395</u>
Assigned					
Capital projects	-	-	-	50,354	50,354
Unassigned	<u>34,207,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,207,840</u>
Total	<u>\$35,348,628</u>	<u>\$ 127,807,115</u>	<u>\$ 28,039,903</u>	<u>\$ 30,803,988</u>	<u>\$ 221,999,634</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 516 retirees and beneficiaries currently receiving benefits and 1,440 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 \$5,164,563.

Annual OPEB Cost and Net OPEB Asset

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 asset to the Plan:

Annual required contribution	\$ 4,080,539
Interest on OPEB asset	(1,012,110)
Adjustment to annual required contribution	1,500,645
Annual OPEB cost (expense)	<u>4,569,074</u>
Contributions made	<u>(5,164,563)</u>
Increase in net OPEB asset/obligation	595,489
Net OPEB, beginning of year	19,822,733
Net OPEB, end of year	<u><u>\$ 20,418,222</u></u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2009 through 2011 was as follows:

Year Ended June 30,	Amount Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
2011	\$ 5,164,563	\$ 4,569,074	113%	\$ 20,418,222
2010	3,055,501	3,666,940	83%	19,822,733
2009	3,431,863	3,404,937	101%	20,715,854

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 for the most two recent actuarial valuations performed:

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)
July 1, 2010	\$27,223,353	\$ 65,140,176	\$ 37,916,823	41.79%	\$ 131,629,079	29%
May 1, 2008	-	38,870,849	38,870,849	0.00%	157,647,780	25%

Actuarial Methods and Assumptions

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

In the July 1, 2010 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 7.6 percent to an ultimate rate 5.5 percent. The UAAL is being amortized as a level percent of payroll. The remaining amortization period at June 30, 2011, was 26 years. As of June 30, 2011, the Trust held net assets in the amount of \$21,344,266, 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, 2011

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, 2011, 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 2011, 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, 2009 to June 30, 2011:

	Health Benefits
Liability Balance, July 1, 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
Claims and changes in estimates	3,421,752
Claims payments	(4,836,938)
Liability Balance, June 30, 2011	-
Assets available to pay claims at June 30, 2011	\$ 3,369,063

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 2010-2011 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, 2011, 2010, and 2009, were \$8,534,707, \$9,153,575, and \$9,773,349, 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 2010-2011 was 10.707 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, 2011, 2010, and 2009, were \$2,910,714, \$2,901,685, and \$3,168,168, 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 4.2 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 \$4,414,446, \$4,733,348, and \$5,351,098, (4.267 percent of annual payroll for 2011 and 2010, and 4.517 percent for 2009, respectively, of annual payroll) for the years ending June 30, 2011, 2010 and 2009, 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, 2011, the District made payments of \$1,117,768 and \$3,239,013 to North California Regional Liability Excess Fund and Santa Clara County Schools Insurance Group, respectively. Payments to MED transferred to them directly from the County Office of Education.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Construction Commitments

As of June 30, 2011, the District had construction commitments in the amount of \$71,738,000.

NOTE 15 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, as presented in the Non-Major Governmental Fund opinion unit, are reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds as follows:

General Fund

Fund Balance - Beginning	\$ 11,839,876
Change in accounting principles to conform to GASB Statement No. 54	<u>9,308,495</u>
Fund Balance - Beginning as Restated	<u><u>\$ 21,148,371</u></u>

Non-Major Governmental Funds

Fund Balance - Beginning	\$ 46,675,004
Change in accounting principles to conform to GASB Statement No. 54	<u>(9,308,495)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 37,366,509</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variances
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 135,982,621	\$ 143,136,660	\$ 143,152,649	\$ 15,989
Federal sources	15,939,312	19,518,942	19,751,824	232,882
Other state sources	28,428,769	28,680,001	30,959,075	2,279,074
Other local sources	12,082,953	9,051,676	10,511,154	1,459,478
Total Revenues¹	<u>192,433,655</u>	<u>200,387,279</u>	<u>204,374,702</u>	<u>3,987,423</u>
EXPENDITURES				
Current				
Certificated salaries	104,638,525	99,083,359	98,952,610	130,749
Classified salaries	24,577,544	24,197,735	24,354,228	(156,493)
Employee benefits	48,848,123	48,520,733	48,371,628	149,105
Books and supplies	5,059,281	3,677,736	3,626,698	51,038
Services and operating expenditures	16,681,500	16,918,705	16,630,644	288,061
Other outgo	580,823	874,611	27,530	847,081
Capital outlay	8,743	9,757	108,080	(98,323)
Debt service - principal	140,000	646,655	530,875	115,780
Debt service - interest	1,692,593	1,977,921	2,084,139	(106,218)
Total Expenditures¹	<u>202,227,132</u>	<u>195,907,212</u>	<u>194,686,432</u>	<u>1,220,780</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,793,477)	4,480,067	9,688,270	5,208,203
Other Financing Sources (Uses):				
Transfers in	7,350,000	4,447,110	4,448,787	1,677
NET CHANGE IN FUND BALANCE	(2,443,477)	8,927,177	14,137,057	5,209,880
Fund Balance - Beginning	11,839,876	11,839,876	11,839,876	-
Fund Balance - Ending-Non GAAP	<u>\$ 9,396,399</u>	<u>\$ 20,767,053</u>	<u>25,976,933</u>	<u>\$ 5,209,880</u>
Special Reserve -Other than Capital Outlay			9,371,695	
Fund Balance - Ending-GAAP			<u>\$ 35,348,628</u>	

¹ On behalf payments of \$4,414,446 are not included in the actual or budgeted revenues and expenditures. In addition, the Special Reserve Fund for other than Capital Outlay revenues, expenditures and financing sources and uses are excluded from this schedule.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

<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>
July 1, 2010	\$27,223,353	\$ 65,140,176	\$ 37,916,823	41.79%	\$ 131,629,079	29%
May 1, 2008	-	38,870,849	38,870,849	0.00%	157,647,780	25%

SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
U.S. DEPARTMENT OF EDUCATION			
Direct Grants:			
Title IV, Smaller Learning Communities	84.215L	[2]	\$ 573,643
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	3,677,272
Title I, ARRA, Part A, Basic Grants Low Income and Neglected	84.389	15005	146,667
Title I, Part C, Migrant Education	84.011	14326	253,823
Title II, Part A, Teacher Quality	84.367	14341	917,710
Title II, Part D, Enhancing Education Through Technology	84.367	14341	1,656
Title II, ARRA Part D, Enhancing Education Through Technology	84.386	15019	61,619
Title II, ARRA Part D, Enhancing Education Through Technology	84.386	15126	418,650
Title III, Limited English Proficiency	84.365	14346	452,223
Title III, Immigrant Education Program	84.365	15146	159,274
Title IV, Teach American History	84.215X	[1]	297,611
Title V, Part A, Innovative Education Strategies	84.298A	14354	592
ARRA, State Fiscal Stabilization Fund ¹	84.394	25008	4,392,900
Education Jobs	84.410	25152	4,154,417
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,399,496
ARRA, Part B, Section 611, Basic Local Assistance	84.391	15003	779,772
California Preschool Instructional Network	84.173	14530	13,175
Workability II, Transition Partnership	84.158	10006	393,699
Carl Perkins Act:			
Technology Secondary II C, Section 131	84.048	14894	502,284
Postsecondary and Adult Section 132	84.048	14893	131,986
Technology Prep, Section 203	84.243	14899	100,000
Adult Education Act:			
Adult Education: Adult Secondary Education	84.002	13978	55,658
Adult Basic Education and English as Second Language	84.002A	14508	708,453
Subtotal			<u>22,592,580</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, 2011 (Continued)**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through California Department of Education (CDE):

Child Development Act:

Head Start	93.600	10016	199,725
Medi-Cal Billing Option	93.778	10013	95,951
Refugee Children Supplemental Assistance Program	93.000	24791	123,661
Subtotal			<u>419,337</u>

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Education (CDE):

Basic Breakfast	10.553	13525	11,597
Needy Breakfast	10.553	13390	959,038
National School Lunch	10.555	13755	2,431,975
Meal Supplement	10.553	13390	82,769
Commodity Supplemental Food Program ^[1]	10.565	02288	229,653
Subtotal			<u>3,715,032</u>

U.S. DEPARTMENT OF DEFENSE

Junior Reserve Officer Training Corp; JROTC ^[4]	12.000	^[2]	530,057
Total ^[3]			<u>\$27,257,006</u>

[1] Not recorded in the financial statements.

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

[3] This schedule includes expenditures of \$2,813,140 funded from prior year State Stabilization grant revenues.

[4] CFDA Number not available.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2011

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>
Lan Nguyen	President	2012
Frank Biehl	Vice President	2014
Van Le	Clerk	2014
Patricia Martinez Roach	Member	2012
J. Manual Herrera	Member	2014

ADMINISTRATION

Dan Moser	Superintendent
Hardy Childers	Interim Associate Superintendent of Business Services & Operations
Cathy Giammona	Associate Superintendent of Human Resource and Instruction

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011

	Amended Second Period Report	Annual Report
SECONDARY		
Regular classes	21,517	21,382
Continuation education	599	594
Home and hospital	27	32
Special education	1,016	1,010
Total Secondary	<u>23,159</u>	<u>23,018</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2010-11 Actual Minutes	Number of Days Traditional Calendar	Status
Grade 9	61,893	60,174	64,800	63,000	63,104	180	Complied
Grade 10	61,893	60,174	64,800	63,000	63,104	180	Complied
Grade 11	61,893	60,174	64,800	63,000	63,104	180	Complied
Grade 12	61,893	60,174	64,800	63,000	63,104	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, 2011**

There were no adjustments to the Unaudited Actual Financial Report.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 ¹	2011	2010	2009
GENERAL FUND⁴				
Revenues	\$ 191,728,537	\$ 204,374,702	\$ 208,852,211	\$ 218,960,519
Other sources	7,728,279	4,448,787	2,500,000	3,500,000
Total Revenues and Other Sources	199,456,816	208,823,489	211,352,211	222,460,519
Expenditures	200,543,830	194,686,432	208,572,433	230,536,575
Other uses and transfers out	-	-	2,700,000	226,901
Total Expenditures and Other Uses	200,543,830	194,686,432	211,272,433	230,763,476
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,087,014)	\$ 14,137,057	\$ 79,778	\$ (8,302,957)
ENDING FUND BALANCE	\$ 24,889,919	\$ 25,976,933	\$ 11,839,876	\$ 11,760,098
AVAILABLE RESERVES ²	\$ 30,252,308	\$ 34,207,840	\$ 16,800,957	\$ 14,568,692
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	15.09%	17.57%	7.95%	6.46%
LONG-TERM OBLIGATIONS	\$ 646,591,993	\$ 664,200,333	\$ 660,683,738	\$ 558,622,762
AVERAGE DAILY ATTENDANCE AT P-2	22,809	23,159	23,633	23,558

The General Fund balance has increased by \$14,216,835 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$1,087,014. 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 one operating deficit in the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have increased by \$105,577,571 over the past two years.

Average daily attendance has decreased by 399 over the past two years. A decrease of 350 ADA is anticipated during fiscal year 2011-2012.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to an audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ On-behalf payments of \$4,414,446, \$4,733,348, and \$5,351,098 for 2011, 2010 and 2009 have been excluded from actual amounts reported above and the calculation of available reserves percentage for fiscal years ending June 30, 2011, 2010, and 2009 respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve Other Than Capital Outlay fund.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
KIPP San Jose Collegiate	No
Escuela Popular Accelerated Family Learning	No
Escuela Popular/Center for Training & Careers Family Learning	No
Latino College Preparatory Academy	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, 2011

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Retiree Benefits Special Reserve Fund
ASSETS				
Deposits and investments	\$ 146,328	\$ 423,598	\$ 203,632	\$ 5,474,025
Receivables	2,997,841	139,463	369	4,388
Total Assets	<u>\$3,144,169</u>	<u>\$ 563,061</u>	<u>\$ 204,001</u>	<u>\$ 5,478,413</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 73,288	\$ 71,725	\$ -	\$ -
Due to other funds	-	285,500	-	-
Deferred revenue	900	205,836	-	-
Total Liabilities	<u>74,188</u>	<u>563,061</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-	-	-	-
Committed	3,069,981	-	204,001	5,478,413
Assigned	-	-	-	-
Total Fund Balances	<u>3,069,981</u>	<u>-</u>	<u>204,001</u>	<u>5,478,413</u>
Total Liabilities and Fund Balances	<u>\$3,144,169</u>	<u>\$ 563,061</u>	<u>\$ 204,001</u>	<u>\$ 5,478,413</u>

See accompanying note to supplementary information.

Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ 3,013,658	\$ 9,821	\$ 18,965,559	\$ 50,268	\$ 28,286,889
6,268	156	33,165	86	3,181,736
<u>\$ 3,019,926</u>	<u>\$ 9,977</u>	<u>\$ 18,998,724</u>	<u>\$ 50,354</u>	<u>\$ 31,468,625</u>
\$ 15,129	\$ 7,500	\$ 4,759	\$ -	\$ 172,401
-	-	-	-	285,500
-	-	-	-	206,736
<u>15,129</u>	<u>7,500</u>	<u>4,759</u>	<u>-</u>	<u>664,637</u>
3,004,797	2,477	18,993,965	-	22,001,239
-	-	-	-	8,752,395
-	-	-	50,354	50,354
<u>3,004,797</u>	<u>2,477</u>	<u>18,993,965</u>	<u>50,354</u>	<u>30,803,988</u>
<u>\$ 3,019,926</u>	<u>\$ 9,977</u>	<u>\$ 18,998,724</u>	<u>\$ 50,354</u>	<u>\$ 31,468,625</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Retiree Benefit Special Reserve Fund
REVENUES				
Federal sources	\$ 764,111	\$ 212,899	\$ -	\$ -
Other State sources	6,930,639	1,673,298	-	-
Other local sources	289,925	109,474	2,119	17,429
Total Revenues	<u>7,984,675</u>	<u>1,995,671</u>	<u>2,119</u>	<u>17,429</u>
EXPENDITURES				
Current				
Instruction	2,848,333	1,665,448	-	-
Instruction-related activities:				
Supervision of instruction	477,784	28,906	-	-
Instructional library and technology	9,166	-	-	-
School site administration	2,001,000	168,905	-	-
Pupil services:				
All other pupil services	72,700	69,702	-	-
Administration:				
All other administration	220,070	-	-	-
Plant services	415,021	62,710	91,984	-
Facility acquisition and construction	-	-	-	-
Total Expenditures	<u>6,044,074</u>	<u>1,995,671</u>	<u>91,984</u>	<u>-</u>
Excess (Deficiency) of				
Revenues Over Expenditures	1,940,601	-	(89,865)	17,429
Other Financing Sources (Uses)				
Transfers out	(250,000)	-	-	(3,872,110)
NET CHANGE IN FUND BALANCES	1,690,601	-	(89,865)	(3,854,681)
Fund Balance - Beginning	1,379,380	-	293,866	9,333,094
Fund Balance - Ending	<u>\$ 3,069,981</u>	<u>\$ -</u>	<u>\$ 204,001</u>	<u>\$ 5,478,413</u>

See accompanying note to other supplementary information.

Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 977,010
-	-	7,572,758	-	16,176,695
268,159	715	126,935	50,354	865,110
<u>268,159</u>	<u>715</u>	<u>7,699,693</u>	<u>50,354</u>	<u>18,018,815</u>
-	-	-	-	4,513,781
-	-	-	-	506,690
-	-	-	-	9,166
-	-	-	-	2,169,905
-	-	-	-	142,402
-	-	-	-	220,070
440,046	-	-	-	1,009,761
<u>1,553,491</u>	<u>81,064</u>	<u>10,252,896</u>	-	<u>11,887,451</u>
<u>1,993,537</u>	<u>81,064</u>	<u>10,252,896</u>	-	<u>20,459,226</u>
(1,725,378)	(80,349)	(2,553,203)	50,354	(2,440,411)
-	-	-	-	(4,122,110)
<u>(1,725,378)</u>	<u>(80,349)</u>	<u>(2,553,203)</u>	<u>50,354</u>	<u>(6,562,521)</u>
<u>4,730,175</u>	<u>82,826</u>	<u>21,547,168</u>	-	<u>37,366,509</u>
<u>\$ 3,004,797</u>	<u>\$ 2,477</u>	<u>\$ 18,993,965</u>	<u>\$ 50,354</u>	<u>\$ 30,803,988</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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, 2011

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

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.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' 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, 2011, which collectively comprise East Side Union High School District's basic financial statements and have issued our report thereon dated December 15, 2011. 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

The management of East Side Union High School District is responsible for establishing and maintaining effective 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 responses 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 responses and, accordingly, express no opinion on the responses.

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011



**INDEPENDENT AUDITORS' 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 East Side Union High School District's compliance 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 East Side Union High School District's major Federal programs for the year ended June 30, 2011. East Side Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of East Side Union High School District's management. Our responsibility is to express an opinion on East Side Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about East Side Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Side Union High School District's compliance with those requirements.

In our opinion, East Side Union High School District complied, in all material respects, with the 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, 2011. 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 the 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 responses 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 responses and, accordingly, we express no opinion on the responses.

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 East Side Union High School District
 San Jose, California

We have audited East Side Union High School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to East Side Union High School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above 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 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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 opinions. 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 are applicable to the government programs noted below that were audited for the year ended June 30, 2011, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
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

This report is intended solely for the information and use of the governing board, audit committee, 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 15, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) 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 weakness(es) identified?	<u>No</u>
Significant deficiency(ies) 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>Yes</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>
<u>84.410</u>	<u>Education Jobs Act</u>
<u>84.386 (ARRA)</u>	<u>Education Technology State Grant (includes ARRA)</u>
<u>84.367</u>	<u>Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 817,710</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Qualified</u>
Unqualified for all programs except for the following program which was qualified:	
	<u>Name of Program</u>
	<u>School Accountability Report Card</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

2011-1 Code 30000 – *ASB Accounting*

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

Evergreen High School

- It was noted that the site deposited some District lease of facilities funds in the study body account.
- Revenue potential forms were not prepared for fund raising activities
- Student store inventory was not reconciled to the books
- Monthly bank reconciliation was not performed timely.

Questioned costs

None

Context

All ASB cash collections and cash on deposit related to the ASB accounts.

Effect

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

We recommend that the District provide additional oversight for student body activities. Fund raising activities should have proper controls such as revenue potentials. In addition, the District should enforce a policy of having all site cash collections properly deposited into the District accounts rather than student body funds.

District Response

The District's Internal Auditor has increased efforts to perform site visits to ensure compliance with the District's policies and procedures. The Internal Auditor will verify and ensure timely reconciliation of bank accounts, proper accounting for student stores and proper usage of the revenue potential forms. In addition, in order to properly segregate District's cash from the student body funds, the District has established a clearing bank account to let school sites deposit any non-ASB moneys to the District account, also the sites have established revolving bank accounts to spend any small but urgent expenditure. District Business Office has sent out guidelines for the clearing and revolving accounts to the principles. Workshops and supports have been provided to the site staff.

EAST SIDE UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

2011-2 Code 50000 - *Private School Participation – Education Through Technology Grant – ARRA – 84.386*

Criteria or Specific Requirements

Federal guidelines require the District to notify the private schools within the District's boundaries about the availability of federal funds related to the Education through Technology grant.

Condition

The District did not include in the letters sent to the private schools information about the available opportunity to participate in this grant.

Questioned costs

None

Cause

Although the District included several other federal programs within the notification letter but this program was not included because it is a fairly new grant.

Effect

Lack of compliance could subject the grant to sanctions, repayment or penalties to the extent of the amounts that should have been available for private school participation.

Recommendation

We recommend additional review procedures of the notifications sent to private school to ensure that all federal grants having such requirement are included.

District Response

The District will ensure to include any new and re-concurrent grants in the letter for the upcoming year and in future implemented procedures and ensure additional review of notification letters.

EAST SIDE UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

2011-3 Code – 50000 - Reporting –Special Education Cluster CFDA 84.027, 84.173, 84.391 (ARRA), 84.392 (ARRA)

Criteria or Specific Requirements

The District is required to report to the State the number of students served within the Special Education cluster 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 IEP forms are either missing or outdated, which is the primary support for the number of students reported as being served by the special education program. 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

We examined a sample of 40 Special Education students enrolled per the CASEMIS student listing report. We identified 4 instances that did not have an IEPs for the 2010-11 fiscal year. We identified 14 instances where the IEPs expired during the fiscal period. We identified 8 instances that contained incomplete IEPs because there were missing one or more of the required signatures.

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.

Recommendation

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

District Response

The District put into place a process for tracking the timely completion of IEPs. A key component to this task is the follow-up by the site administrators to monitor case managers and begin to process of progressive discipline action to ensure the certificated staff timely completing the IEPs.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

2011-4 Code 72000

Criteria or Specific Requirements

The School Accountability Report Card (SARC) must include elements related to the Williams Settlement including the school facility conditions.

Condition

During our review of the SARC, we noted inconsistencies between the facility evaluation done by the County Office of Education and the information reported on the SARC.

Questioned Costs

None

Effect

Failure to comply with the regulation would render SARC reports unreliable.

Cause

A review and a reconciliation between the facility evaluation performed by the County Office of Education should have been conducted timely prior to publishing the SARC.

Recommendation

We recommend that the District update the SARC for school facility evaluations performed by the County Office of Education or the District personnel to ensure that the SARC is in compliance with the Williams Settlement reporting requirements.

District Response

The District implemented procedures to ensure that a thorough review of the SARC is conducted prior to the publication.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

Financial Statement Findings

2010-1 Code 30000

Internal Control

Finding

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.

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.

Current Status

Implemented

2010-2 Code 30000

Internal Control

Finding

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.

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. 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Current Status

Partially implemented

Federal Awards Findings

2010-3 Code 50000

Federal Compliance

Finding

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.

Recommendation

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

Current Status

Partially Implemented

2010-4 Code 50000

Federal Compliance

Finding

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

Recommendation

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

Current Status

Implemented

State Awards Findings

None Reported.

