

SANTA ANA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

SANTA ANA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 63 and 64, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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.

Varinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2010



Santa Ana Unified School District

Jane Russo, Superintendent

This section of Santa Ana Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow 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 Governmental Accounting Standards Board (GASB) Statement No. 34.

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

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

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

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* 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 Santa Ana Unified School District.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

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

Governmental Activities – The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

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 Revenues, Expenses, and Changes in Fund Net Assets*. 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.

THE DISTRICT AS A 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, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statement 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.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$535 million for the fiscal year ended June 30, 2010, reflecting an increase of 3.3 percent since June 30, 2009. Of this amount, \$70.3 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2010	2009
Assets		
Current and other assets	\$ 319,731,468	\$ 293,454,323
Capital assets	683,207,515	632,311,679
Total Assets	1,002,938,983	925,766,002
Liabilities		
Current liabilities, including current portion of long-term obligations	90,797,151	80,857,290
Long-term obligations	377,052,637	326,883,630
Total Liabilities	467,849,788	407,740,920
Net Assets		
Invested in capital assets, net of related debt	405,582,829	383,137,211
Restricted	59,196,402	86,986,008
Unrestricted	70,309,964	47,901,863
Total Net Assets	\$ 535,089,195	\$ 518,025,082

The \$70.3 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. There was an increase in cash due to Tier III Categorical Flexibility, enacted budget reductions, and one time Federal stimulus funds.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 4,604,297	\$ 5,192,323
Operating grants and contributions	169,500,686	174,050,072
Capital grants and contributions	11,163,895	37,375,852
General revenues:		
Federal and State aid not restricted	225,741,903	237,212,135
Property taxes	111,133,074	106,176,256
Other general revenues	38,142,169	42,358,181
Total Revenues	560,286,024	602,364,819
Expenses		
Instruction	319,920,955	342,569,269
Instruction-related	60,826,483	66,004,617
Student support services	58,193,753	56,216,042
Administration	21,861,695	20,930,268
Plant services	45,284,648	52,157,057
Interest on long-term obligations	14,220,105	15,212,955
Other	22,914,272	16,025,905
Total Expenses	543,221,911	569,116,113
Change in Net Assets	\$ 17,064,113	\$ 33,248,706

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$543 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$111 million because the cost (\$4.6 million) was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions (\$170 million). We paid for the remaining "public benefit" portion of our governmental activities with \$111 million in taxes, \$226 million in State funds, and with other revenues, like interest and general entitlements.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 319,920,955	\$ 342,569,269	\$ 214,823,233	\$ 209,910,285
Instruction-related	60,826,483	66,004,617	36,973,173	32,851,474
Student support services	58,193,753	56,216,042	16,534,119	17,103,025
Administration	21,861,695	20,930,268	15,300,956	16,978,964
Plant services	45,284,648	52,157,057	41,221,001	47,072,319
Interest on long-term obligations	14,220,105	15,212,955	14,220,105	15,212,955
Other	22,914,272	16,025,905	18,880,446	13,368,844
Total	\$ 543,221,911	\$ 569,116,113	\$ 357,953,033	\$ 352,497,866

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$239.3 million, which is an increase of \$24.8 million from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2009	Revenues	Expenditures	June 30, 2010
General Fund	\$ 81,799,797	\$ 483,148,510	\$ 471,106,956	\$ 93,841,351
Building Fund	63,289,710	55,094,121	40,267,138	78,116,693
Non-Major Governmental Funds	69,364,832	80,902,456	82,929,831	67,337,457
Total	\$ 214,454,339	\$ 619,145,087	\$ 594,303,925	\$ 239,295,501

The primary reasons for these increases/decreases are:

- a. Our General Fund is our principal operating fund. The balance in the General Fund increased by \$12 million to \$93.8 million. This increase is due to:
 1. Federal Stimulus Funds American Recovery Reinvestment Act (ARRA).
 2. Enacted budget reductions.
 3. Less than anticipated spending by sites and departments.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

- b. Our Building Fund increased by \$14.8 million due in large part because of the issuances of General Obligation Bonds Series C and D.
- c. The Non-Major Funds showed a decrease of approximately \$2 million due in large part to enacted budget reductions.

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 May 25. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 63).

The key differences between the original budget, final budget and actual results is attributable to:

- State action: Due to deteriorating national and state economies, the State was forced to reduce education funding throughout the fiscal year.
- Re-allocation of categorical program carryover from the prior year.

Due to shortfalls in State revenue collections, the State reduced education funding throughout the fiscal year.

As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$683.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$50.9 million, or 8 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2010	2009
Land and construction in progress	\$ 181,958,097	\$ 187,625,790
Buildings and improvements	495,846,340	437,968,663
Furniture and equipment	5,403,078	6,717,226
Total	\$ 683,207,515	\$ 632,311,679

This year's additions of \$133 million (see Note 4) included several completed construction projects for critically over-crowded schools, modernization, new construction, vehicles and classroom equipment. The District will use the General Obligation Bond proceeds for construction and modernization of existing school facilities.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Several capital projects are planned for the 2010-2011 year. We anticipate capital additions to be \$75 million for the 2010-2011 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$391.7 million in long-term obligations versus \$339.8 million last year, an increase of 15.3 percent. The obligations consisted of:

Table 6

	Governmental Activities	
	2010	2009
General obligation bonds (financed with property taxes)	\$ 294,239,182	\$ 240,710,811
Certificates of participation	57,265,279	63,796,308
Qualified zone academy bonds	5,536,001	6,161,994
Lease certificates	4,413,615	-
Capitalized lease obligations	11,350	155,005
Compensated absences	518,366	490,972
Supplemental employment retirement plan	7,444,555	9,663,436
Other postemployment benefits	22,286,251	18,814,813
Total	\$ 391,714,599	\$ 339,793,339

The District's general obligation bond rating continues to be "A1" from Moody's and "A+" from Standard and Poors. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$294.2 million is significantly below this \$1.1 billion statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, capital lease obligations, compensated absences payable, other postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

- The Orange County Register named Garfield, Monroe, and Sepulveda Elementary as three of the top 10 most improved schools in Orange County.
- U.S. News and World Report named Segerstrom and MiddleCollege among the top high schools in the nation.
- Five of the District's elementary schools, Harvey, King, Thorpe Fundamental, Madison and Heninger, were 2010 California Distinguished Schools.
- Four of the District's elementary schools, Harvey, Madison, Muir Fundamental, and Thorpe, received 2009-2010 Title I Academic Achievement awards.
- The Orange County Department of Education identified three of the five Orange County schools with the most improved passing rates on the High School Exit Exam - Saddleback, Santa Ana, and Valley High Schools.
- Middle College and Harvey Elementary were both awarded as National Blue Ribbon Schools.
- The District also improved school facilities with the passage of Measure G resulting in 129 immediate projects (playgrounds, new carpeting, electric, asphalt, etc), 32 modernizations (two under construction), and removed over 300 portable classrooms.
- These accomplishments were achieved while implementing necessary budget reductions totaling \$160 million over the past seven years in order to maintain the District's fiscal stability.
- Despite all of the budget reductions, the District has been able to maintain the following:
 - Fiscal Solvency
 - Grade K-3 class size reduction
 - Counselor and library services
 - Athletics and music programs
 - Safety and student health
 - A full 180-day student school year

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2010-2011 year, the governing board and management used the following criteria:

The key revenue forecast assumptions are as follows:

- (1) The budget was initially based on the "May Revise", which represents the Governor's final recommended budget to our State Legislature, and later revised based on the State Approved budget. The key components of the State Approved Budget include:
 - (a) Revenue Limit deficit of 18.355 percent
 - (b) COLA deficit of 0.38 percent
 - (c) Categorical reduction of 0.38 percent
 - (e) No funding for mandate claims
- (2) The District's major source of income is from the Revenue Limit. Since the 2003-2004 fiscal year, the District has been experiencing declining enrollment in excess of 1,000 students with losses peaking at 2,300+ students in 2005-2006. In 2007-2008, the District's loss was considerably lower at 470 students and in 2008-2009 the District experienced a gain of 215 students. In 2009-2010, the District experienced a loss of 500 students. For 2010-2011, the District is assuming a decline in student enrollment of 767 students based on the most recent student enrollment projections.

Expenditures were based on the following:

- (1) Staffing ratios:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	31:1	4,341
Grade one	23:1	4,811
Grade two	24:1	4,460
Grade three	30:1	4,296
Grades four through five	34:1	8,383
Grades six through eight	33.5:1	12,134
Grades nine through twelve	32.5:1	15,659

- (2) The budget includes \$11.6 million in Board approved budget reductions. Inclusive of this amount, the District has made budget reductions totaling \$132.2 million over the past six years.

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 Associate Superintendent, Business Services, at Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322, or e-mail at michael.bishop@sausd.us.

SANTA ANA UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 222,552,351
Receivables	91,269,652
Prepaid expenses	151,279
Deferred charges	2,662,082
Stores inventories	987,055
Restricted assets, investments	2,109,049
Capital assets	
Land and construction in process	181,958,097
Other capital assets	628,239,795
Less: accumulated depreciation	(126,990,377)
Total Capital Assets	<u>683,207,515</u>
Total Assets	<u><u>1,002,938,983</u></u>
LIABILITIES	
Accounts payable	32,744,148
Interest payable	4,851,496
Deferred revenue	10,019,672
Claims liability	19,519,873
Current loans	9,000,000
Long-term obligations	
Current portion of long-term obligations	14,661,962
Noncurrent portion of long-term obligations	377,052,637
Total Long-Term Obligations	<u>391,714,599</u>
Total Liabilities	<u><u>467,849,788</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	405,582,829
Restricted for:	
Debt service	17,361,243
Capital projects	16,445,938
Educational programs	15,019,962
Other activities	10,369,259
Unrestricted	70,309,964
Total Net Assets	<u><u>\$ 535,089,195</u></u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 319,920,955	\$ 736,400	\$ 93,197,427	\$ 11,163,895	\$ (214,823,233)
Instruction-related activities:					
Supervision of instruction	25,422,858	24,896	20,021,701	-	(5,376,261)
Instructional library, media, and technology	3,462,919	2,307	1,027,877	-	(2,432,735)
School site administration	31,940,706	4,718	2,771,811	-	(29,164,177)
Pupil services:					
Home-to-school transportation	8,605,388	-	1,783,704	-	(6,821,684)
Food services	27,559,428	3,276,118	24,957,812	-	674,502
All other pupil services	22,028,937	97,678	11,544,322	-	(10,386,937)
Administration:					
Data processing	5,727,250	-	1,286,587	-	(4,440,663)
All other administration	16,134,445	148,251	5,125,901	-	(10,860,293)
Plant services	45,284,648	136,015	3,927,632	-	(41,221,001)
Facility acquisition and construction	41,852	-	-	-	(41,852)
Ancillary services	4,257,886	55	48,397	-	(4,209,434)
Enterprise services	25,685	-	-	-	(25,685)
Interest on long-term obligations	14,220,105	-	-	-	(14,220,105)
Other outgo	18,588,849	177,859	3,807,515	-	(14,603,475)
Total Governmental Activities	\$ 543,221,911	\$ 4,604,297	\$ 169,500,686	\$ 11,163,895	(357,953,033)
General revenues and subventions:					
					92,720,896
					17,857,121
					555,057
					225,741,903
					1,293,690
					36,848,479
					375,017,146
Change in Net Assets					17,064,113
Net Assets - Beginning					518,025,082
Net Assets - Ending					\$ 535,089,195

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

SANTA ANA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 43,896,041	\$ 83,840,741	\$ 70,265,804	\$ 198,002,586
Receivables	85,990,116	82,967	5,178,833	91,251,916
Due from other funds	7,181,019	2,247,768	2,457,780	11,886,567
Prepaid expenditures	151,279	-	-	151,279
Stores inventories	602,005	-	385,050	987,055
Restricted assets, investments	-	-	2,109,049	2,109,049
Total Assets	\$ 137,820,460	\$ 86,171,476	\$ 80,396,516	\$ 304,388,452
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,739,063	\$ 7,200,887	\$ 3,600,468	\$ 31,540,418
Due to other funds	4,857,623	853,896	8,821,342	14,532,861
Other current liabilities	9,000,000	-	-	9,000,000
Deferred revenue	9,382,423	-	637,249	10,019,672
Total Liabilities	43,979,109	8,054,783	13,059,059	65,092,951
Fund Balances:				
Reserved for:				
Revolving cash	150,000	-	3,684	153,684
Stores inventories	602,005	-	385,050	987,055
Prepaid expenditures	151,279	-	-	151,279
Legally restricted balances	15,019,962	77,510,344	18,568,129	111,098,435
Unreserved:				
Designated	76,437,662	-	14,526,321	90,963,983
Undesignated, reported in:				
General Fund	1,480,443	-	-	1,480,443
Special revenue funds	-	-	10,369,259	10,369,259
Debt service funds	-	-	22,212,739	22,212,739
Capital projects funds	-	606,349	1,272,275	1,878,624
Total Fund Balance	93,841,351	78,116,693	67,337,457	239,295,501
Total Liabilities and Fund Balances	\$ 137,820,460	\$ 86,171,476	\$ 80,396,516	\$ 304,388,452

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 239,295,501
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 810,197,892	
Accumulated depreciation is	<u>(126,990,377)</u>	
Net Capital Assets		683,207,515
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		2,662,082
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(4,851,496)
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.		6,490,192
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	294,239,182	
Certificates of participation payable	57,265,279	
Qualified zone academy bonds	5,536,001	
Lease certificates	4,413,615	
Capital leases payable	11,350	
Compensated absences	518,366	
Other long-term obligations	7,444,555	
Other postemployment benefits	<u>22,286,251</u>	
Total Long-Term Obligations		<u>(391,714,599)</u>
Total Net Assets - Governmental Activities		<u>\$ 535,089,195</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 265,391,917	\$ -	\$ -	\$ 265,391,917
Federal sources	70,875,949	-	26,126,803	97,002,752
Other State sources	130,589,754	-	17,351,139	147,940,893
Other local sources	9,863,293	971,909	23,572,736	34,407,938
Total Revenues	476,720,913	971,909	67,050,678	544,743,500
EXPENDITURES				
Current				
Instruction	304,482,321	-	1,166,736	305,649,057
Instruction-related activities:				
Supervision of instruction	23,114,674	-	102,998	23,217,672
Instructional library, media, and technology	3,366,496	-	-	3,366,496
School site administration	30,791,364	-	217,327	31,008,691
Pupil services:				
Home-to-school transportation	8,597,521	-	-	8,597,521
Food services	-	-	27,196,996	27,196,996
All other pupil services	20,022,831	-	8,542	20,031,373
Administration:				
Data processing	5,445,133	-	-	5,445,133
All other administration	14,200,455	-	1,273,090	15,473,545
Plant services	42,066,076	76,222	2,821,868	44,964,166
Facility acquisition and construction	91,826	38,243,228	23,807,051	62,142,105
Ancillary services	4,156,993	-	-	4,156,993
Other outgo	3,349,873	-	1,063,050	4,412,923
Debt service				
Principal	705,296	-	13,448,655	14,153,951
Interest and other	187,701	-	10,123,676	10,311,377
Total Expenditures	460,578,560	38,319,450	81,229,989	580,127,999
Excess (Deficiency) of Revenues Over Expenditures	16,142,353	(37,347,541)	(14,179,311)	(35,384,499)
Other Financing Sources (Uses)				
Transfers in	1,399,842	-	12,776,084	14,175,926
Other sources	5,027,755	54,122,212	1,075,694	60,225,661
Transfers out	(10,528,396)	(1,947,688)	(1,699,842)	(14,175,926)
Net Financing Sources (Uses)	(4,100,799)	52,174,524	12,151,936	60,225,661
NET CHANGE IN FUND BALANCES	12,041,554	14,826,983	(2,027,375)	24,841,162
Fund Balance - Beginning	81,799,797	63,289,710	69,364,832	214,454,339
Fund Balance - Ending	\$ 93,841,351	\$ 78,116,693	\$ 67,337,457	\$ 239,295,501

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ 24,841,162**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net 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 exceeds depreciation in the period.

Capital outlays	\$ 64,040,363	
Depreciation expense	<u>(13,144,527)</u>	
Net Expense Adjustment		50,895,836

In the Statement of Activities, certain operating expenses, such as 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 \$27,394. (27,394)

Payment of costs for the issuance of certificates of participation is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the Statement of Net Assets over the life of the bonds. 642,641

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities.

General obligation bonds	5,590,000
Certificates of participation	7,715,000
Lease certificate	705,296
Capital lease obligations	143,655
Other long-term obligations	625,993

Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. (54,101,114)

Proceeds received from lease certificate is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. (5,118,911)

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Governmental funds report the effect of premiums when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	\$ (1,488,501)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(2,992,810)
Other liabilities not normally liquidated with current financial resources must be accrued and expensed in proper periods. This would include special termination benefits such as retirement incentives financed over time. This year, there was a net of \$2,218,881 in special termination benefits paid in excess of amounts earned.	2,218,881
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution.	(3,471,438)
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 net deficit of the Internal Service Fund is reported with governmental activities.	<u>(9,114,183)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 17,064,113</u></u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 24,549,765
Receivables	17,736
Due from other funds	2,817,723
Total Current Assets	<u>27,385,224</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,203,730
Due to other funds	171,429
Claim liabilities	19,519,873
Total Current Liabilities	<u>20,895,032</u>
NET ASSETS	
Unrestricted	6,490,192
Total Net Assets	<u>\$ 6,490,192</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 6,170,912
Total Operating Revenues	<u>6,170,912</u>
OPERATING EXPENSES	
Payroll costs	822,533
Supplies and materials	415,069
Other operating cost	14,338,399
Total Operating Expenses	<u>15,576,001</u>
Operating Loss	<u>(9,405,089)</u>
NONOPERATING REVENUES	
Interest income	290,906
Change in Net Assets	<u>(9,114,183)</u>
Total Net Assets - Beginning	<u>15,604,375</u>
Total Net Assets - Ending	<u>\$ 6,490,192</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 6,154,897
Cash payments to other suppliers of goods or services	(4,356,270)
Cash payments to employees for services	(822,533)
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(2,284,381)
Other operating cash payments	(101,935)
Net Cash Used by Operating Activities	<u>(1,410,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	290,906
Net Decrease in Cash and Cash Equivalents	<u>(1,119,316)</u>
Cash and Cash Equivalents - Beginning	25,669,081
Cash and Cash Equivalents - Ending	<u><u>\$ 24,549,765</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (9,405,089)
Changes in assets and liabilities:	
Receivables	10,662
Due from other funds	(26,677)
Accrued liabilities	8,001,249
Due to other funds	9,633
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,410,222)</u></u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 2,707,386
Receivables	3,624
Total Assets	<u><u>\$ 2,711,010</u></u>
LIABILITIES	
Accounts payable	\$ 79,073
Due to student groups	1,568,887
Due to bondholders	1,063,050
Total Liabilities	<u><u>\$ 2,711,010</u></u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 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 Kindergarten - 12 as mandated by the State and/or Federal agencies. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Ana Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling and leasing public facilities, land, personal property and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations.

The Corporation's financial activity is presented in the financial statements as the Capital Project Blended Component Unit Fund and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

On August 24, 2004, the District voted to establish Community Facilities District (CFD) No. 2004-1 and to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. Debt instruments issued by the CFD do not represent liabilities of the District or component units and are not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, and Orange County High School of the Arts pursuant to Education Code Section 47605. All of the Charter Schools are not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

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 and non-major governmental funds:

Major Governmental Funds

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

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

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

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.).

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.).

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

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

Debt Service Funds The Debt Service funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

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

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued.

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 fund:

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, vision, and workers' compensation self-insurance fund 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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District does not have any trust funds. 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) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 of the activities of the District and for each governmental function, and exclude 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, except for depreciation. 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.

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. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Governmental Funds All governmental funds are accounted for using the 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 balance sheet and revenue is recognized.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

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

Stores Inventories

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. 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 in the government-wide statement of net assets. The valuation basis for capital assets is 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 is the same as those used for the capital assets of governmental funds.

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, 25 to 50 years; furniture and equipment, 15 to 20 years, and vehicles, eight 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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs and Premiums

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

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$59,196,402 of restricted net assets.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental 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 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

Property Tax

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

New Accounting Pronouncements

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 224,661,400 *
Fiduciary funds	<u>2,707,386</u>
Total Deposits and Investments	<u><u>\$ 227,368,786</u></u>

* \$2,109,049 of these balances represent Restricted Assets - Investments as reflected on the Statement of Net Assets

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

Cash on hand and in banks	\$ 962,722
Cash in revolving	703,684
Investments	<u>225,702,380</u>
Total Deposits and Investments	<u><u>\$ 227,368,786</u></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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

General Authorizations

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

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

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 purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
Dreyfus Institutional Reserve Treasury	\$ 1,502,573	N/A
INVESCO Government and Agency	1,262	N/A
NATEXIS Banques Populaires CPD	3,130,221	12/20/10
INTESA FDG LLC	3,108,254	10/27/10
FSA Municipal Bond	5	04/01/37
County Pool	215,860,740	304 days
Total	<u>\$ 223,603,055</u>	

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, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Rating as of Year End		
		AAA	Aaa	P-1
Dreyfus Institutional Reserve Treasury	\$ 1,502,573	\$ -	\$ 1,502,573	\$ -
INVESCO Government and Agency	1,262	-	1,262	-
NATEXIS Banques Populaires CPD	3,130,221	-	-	3,130,221
INTESA FDG LLC	3,108,254	-	-	3,108,254
FSA Municipal Bond	5	5	-	-
County Pool	215,860,740	-	215,860,740	-
Total	<u>\$ 223,603,055</u>	<u>\$ 5</u>	<u>\$ 217,364,575</u>	<u>\$ 6,238,475</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent (5%) or more of the total investments are in either an external investment pool or mutual funds and are therefore exempt.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$797,494 was 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in NATEXIS Banques Populaires CPD and INTESA FDG LLC of \$3,130,221 and \$3,108,254, respectively, the District has a custodial credit risk exposure of \$6,238,475 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 3 - RECEIVABLES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	\$ 26,300,640	\$ -	\$ 4,654,797	\$ -	\$ 30,955,437	\$ -
State Government						
Apportionment	42,312,677	-	-	-	42,312,677	-
Categorical aid	10,695,166	-	277,531	-	10,972,697	-
Lottery	1,640,652	-	-	-	1,640,652	-
Local Government						
Interest	54,087	61,629	42,662	17,736	176,114	-
Regional occupational program	641,808	-	-	-	641,808	-
City of Santa Ana	880,831	-	-	-	880,831	-
Various school districts	919,602	-	-	-	919,602	-
Other Local Sources	2,544,653	21,338	203,843	-	2,769,834	3,624
Total	<u>\$ 85,990,116</u>	<u>\$ 82,967</u>	<u>\$ 5,178,833</u>	<u>\$ 17,736</u>	<u>\$ 91,269,652</u>	<u>\$ 3,624</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 136,172,405	\$ -	\$ -	\$ 136,172,405
Construction in Progress	51,453,385	63,432,317	69,100,010	45,785,692
Total Capital Assets Not Being Depreciated	<u>187,625,790</u>	<u>63,432,317</u>	<u>69,100,010</u>	<u>181,958,097</u>
Capital Assets Being Depreciated:				
Land Improvements	22,826,916	2,194,012	100,319	24,920,609
Buildings and Improvements	518,799,751	66,905,998	245,864	585,459,885
Furniture and Equipment	23,429,767	608,046	6,178,512	17,859,301
Total Capital Assets Being Depreciated	<u>565,056,434</u>	<u>69,708,056</u>	<u>6,524,695</u>	<u>628,239,795</u>
Total Capital Assets	<u>752,682,224</u>	<u>133,140,373</u>	<u>75,624,705</u>	<u>810,197,892</u>
Less Accumulated Depreciation:				
Land Improvements	15,436,372	630,651	100,319	15,966,704
Buildings and Improvements	88,221,632	10,591,682	245,864	98,567,450
Furniture and Equipment	16,712,541	1,922,194	6,178,512	12,456,223
Total Accumulated Depreciation	<u>120,370,545</u>	<u>13,144,527</u>	<u>6,524,695</u>	<u>126,990,377</u>
Governmental Activities Capital Assets, Net	<u>\$ 632,311,679</u>	<u>\$ 119,995,846</u>	<u>\$ 69,100,010</u>	<u>\$ 683,207,515</u>

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

Governmental Activities	
Instruction	\$ 8,267,907
Supervision of instruction	1,643,066
All other pupil services	1,393,320
All other administration	499,492
Plant services	1,340,742
Total Depreciation Expenses Governmental Activities	<u>\$ 13,144,527</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2010, between major and non-major governmental funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 635,709	\$ 6,373,881	\$ 171,429	\$ 7,181,019
Building Fund	4,967	-	2,242,801	-	2,247,768
Non-Major Governmental Funds	2,092,320	188,082	177,378	-	2,457,780
Internal Service Fund	2,760,336	30,105	27,282	-	2,817,723
Total	<u>\$ 4,857,623</u>	<u>\$ 853,896</u>	<u>\$ 8,821,342</u>	<u>\$ 171,429</u>	<u>\$ 14,704,290</u>

A balance of \$503,343 due to the General Fund from the Child Development Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$3,140,551 due to the General Fund from the Cafeteria Fund resulted from indirect costs and reimbursement of salaries and benefits paid.

A balance of \$497,936 due to the General Fund from the Capital Facilities Fund resulted from reimbursement of portable rental leases.

A balance of \$113,093 due to the General Fund from the Special Reserve Capital Outlay Projects Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$1,455,576 due to the General Fund from the Special Reserve Capital Outlay Projects Fund resulted from reimbursement portable lease payments.

A balance of \$763,383 due to the General Fund from the Capital Project Blended Component Units Fund resulted from the reimbursement of utilities and rent expense.

A balance of \$117,166 due to the Building Fund from the County School Facilities Fund resulted from reclassification of building/modernization expenses.

A balance of \$1,516,309 due to the Building Fund from the Special Reserve Capital Outlay Projects Fund resulted from reclassification of building/modernization expenses.

The balance of \$2,760,336 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Operating Transfers

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

Transfer To	Transfer From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 1,399,842	\$ 1,399,842
Non-Major Governmental Funds	10,528,396	1,947,688	300,000	12,776,084
Total	<u>\$ 10,528,396</u>	<u>\$ 1,947,688</u>	<u>\$ 1,699,842</u>	<u>\$ 14,175,926</u>

The General Fund transferred to the Deferred Maintenance Fund for program match.	\$ 1,732,711
The General Fund transferred to the Debt Service Fund for debt service payments.	8,795,685
The Building Fund transferred to the Special Reserve Capital Outlay Projects Fund for reimbursement of project costs.	1,947,688
The Special Reserve Capital Outlay Projects Fund transferred to the General Fund for reimbursement of portable classroom costs.	1,399,842
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund for allocation of surplus taxes.	150,000
The Debt Service Fund transferred to the Capital Project Fund for Blended Component Units for allocation of surplus taxes.	150,000
Total	<u>\$ 14,175,926</u>

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.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 3,592,243	\$ -	\$ 92,834	\$ -	\$ 3,685,077	\$ 79,073
Salaries and benefits	9,150,095	74,515	929,934	51,057	10,205,601	-
Books and supplies	2,507,071	-	1,432,370	-	3,939,441	-
Construction	195,333	7,126,372	458,446	-	7,780,151	-
Services and other operating payables	5,294,321	-	686,884	1,152,673	7,133,878	-
Total	<u>\$ 20,739,063</u>	<u>\$ 7,200,887</u>	<u>\$ 3,600,468</u>	<u>\$ 1,203,730</u>	<u>\$ 32,744,148</u>	<u>\$ 79,073</u>

NOTE 7 - DEFERRED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 9,350,912	\$ -	\$ 9,350,912
State categorical aid	-	637,249	637,249
Other local	31,511	-	31,511
Total	<u>\$ 9,382,423</u>	<u>\$ 637,249</u>	<u>\$ 10,019,672</u>

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On February 17, 2010, the District issued \$9,000,000 Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal are due on December 1, 2010. Repayments requirements are that a percentage of principal and interest be deposited with the Fiscal Agent beginning July 2010 (75%) and August 2010 (25%) until 100 percent of principal and interest due is on December 2010. By June 30, 2010, the District had not deposited any principal or interest in the repayment fund for the sole purpose of satisfying the notes.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2010</u>
02/17/10	2.00%	12/01/10	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Due in One Year</u>
General obligation bonds	\$234,929,422	\$ 57,573,648	\$ 5,590,000	\$286,913,070	\$ 8,679,793
Premium on issuance	5,781,389	1,809,422	264,699	7,326,112	-
Certificates of participation	62,278,327	1,240,193	7,715,000	55,803,520	2,418,023
Premium on issuance	1,517,981	-	56,222	1,461,759	-
2002 Qualified zone academy bonds	3,161,464	-	395,183	2,766,281	395,183
2005 Qualified zone academy bonds	3,000,530	-	230,810	2,769,720	230,810
Lease certificates	-	5,118,911	705,296	4,413,615	707,922
Capital leases	155,005	-	143,655	11,350	11,350
Compensated absences	490,972	27,394	-	518,366	-
Supplemental employment retirement plan	9,663,436	-	2,218,881	7,444,555	2,218,881
Other postemployment benefits	18,814,813	3,471,438	-	22,286,251	-
	<u>\$339,793,339</u>	<u>\$ 69,241,006</u>	<u>\$17,319,746</u>	<u>\$391,714,599</u>	<u>\$ 14,661,962</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2009	Issued	Accreted	Redeemed	Outstanding June 30, 2010
03/30/00	08/01/29	5.00-5.750%	\$ 56,320,000	\$ 48,865,000	\$ -	\$ -	\$ 1,290,000	\$ 47,575,000
07/11/02	08/01/32	3.00-5.375%	38,000,000	33,790,000	-	-	785,000	33,005,000
10/30/02	08/01/32	2.68-5.530%	50,828,156	51,977,384	-	2,501,764	3,515,000	50,964,148
08/06/08	08/01/33	3.50-5.510%	99,997,856	100,297,038	-	645,760	-	100,942,798
11/20/09	08/01/47	6.54-7.337%	34,861,114	-	34,861,114	325,010	-	35,186,124
11/20/09	09/15/26	5.910%	19,240,000	-	19,240,000	-	-	19,240,000
				<u>\$ 234,929,422</u>	<u>\$ 54,101,114</u>	<u>\$ 3,472,534</u>	<u>\$ 5,590,000</u>	<u>\$ 286,913,070</u>

1999 General Obligation Bonds, Series 2000

On March 30, 2000, the District issued in the aggregate principal amount of \$56,320,000 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2029, and yield an interest rate of 5.00 – 5.75 percent. At June 30, 2010, the principal balance outstanding was \$45,575,000.

1999 General Obligation Bonds, Series 2002

On July 11, 2002, the District issued in the aggregate principal amount of \$38,000,000 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2032, and yield an interest rate of 3.00 – 5.375 percent. At June 30, 2010, the principal balance outstanding was \$33,005,000.

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of \$50,828,156 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2032, and yield an interest rate of 2.68 – 5.53 percent. At June 30, 2010, the principal balance outstanding was \$50,964,149.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued in \$94,235,000 in current interest bonds and \$5,762,856 in capital appreciation bonds (accreting to \$22,700,000 at maturity) with an original premium of \$6,022,280 and cost of issuance of \$1,493,943. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds mature on August 1, 2033, and yield an interest rate of 3.50 – 5.51 percent. At June 30, 2010, the principal balance outstanding was \$100,942,798 (including accreted interest to date). Unamortized premium received and costs of issuance of the bonds as of June 30, 2010, were \$5,540,498 and \$1,374,428, respectively. Issuance costs and the premium are amortized over the life of the bonds as a component of interest expense on the bonds.

2008 General Obligation Bonds, Series B

On November 20, 2009, the District issued capital appreciation bonds in the amount of \$34,861,114 with an original premium of \$1,809,422 and cost of issuance of \$733,729. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds mature on August 1, 2047, and yield an interest rate of 6.54 – 7.337 percent. At June 30, 2010, the principal balance outstanding was \$35,186,124 (including accreted interest to date). Unamortized premium received and costs of issuance of the bonds as of June 30, 2010, were \$ 1,785,614 and \$724,075, respectively. Issuance costs and the premium are amortized over the life of the bonds as a component of interest expense on the bonds.

2008 General Obligation Bonds, Series C

On November 20, 2009, the District issued \$19,240,000 in qualified school construction bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds mature on September 15, 2026, and yield an interest rate of 5.91 percent. At June 30, 2010, the principal balance outstanding was \$19,240,000.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Compound Interest Paid at Maturity	Total
2011	\$ 8,679,793	\$ 9,455,505	\$ 18,135,298
2012	9,123,789	9,368,765	18,492,554
2013	6,241,368	9,323,623	15,564,991
2014	6,467,286	9,317,599	15,784,885
2015	6,731,950	9,291,260	16,023,210
2016-2020	37,086,560	48,133,663	85,220,223
2021-2025	34,766,382	70,305,931	105,072,313
2026-2030	86,495,247	34,801,574	121,296,821
2031-2035	62,374,304	51,195,884	113,570,188
2036-2040	8,652,425	68,462,575	77,115,000
2041-2045	-	-	-
2046-2048	20,293,966	282,321,033	302,614,999
Total	<u>\$ 286,913,070</u>	<u>\$ 601,977,412</u>	<u>\$ 888,890,482</u>

Certificates of Participation Debt

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs			COPs
				Outstanding July 1, 2009	Accreted	Redeemed	Outstanding June 30, 2010
Jan-90	08/01/16	3.00-12.00%	\$ 19,800,000	\$ 5,900,000	\$ -	\$ 5,900,000	\$ -
Oct-99	08/01/38	3.60-6.25%	17,691,700	25,063,327	1,240,193	335,000	25,968,520
May-02	08/01/13	3.00-4.25%	5,180,000	2,150,000	-	505,000	1,645,000
May-07	08/01/39	3.56-4.41%	29,725,000	29,165,000	-	975,000	28,190,000
				<u>\$ 62,278,327</u>	<u>\$ 1,240,193</u>	<u>\$ 7,715,000</u>	<u>\$ 55,803,520</u>

Certificates of Participation

In January 1990, the Corporation issued certificates of participation (COPs) in the amount of \$19,800,000 with variable interest rates ranging from 3.00 – 12.00 percent. On July 19, 1993, the District prepaid \$8,000,000 of the certificates. On August 1, 2009, the District refinanced the certificates and paid off the outstanding principal of \$5,900,000. At June 30, 2010, the District fulfilled its obligation.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

In October 1999, the Corporation issued COPs in the amount of \$17,691,700 with interest rates ranging from 3.60 – 6.25 percent. These certificates were issued for the construction of two elementary schools. At June 30, 2010, the principal balance outstanding was \$25,968,520, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Interest	Total
2011	\$ 893,023	\$ 126,976	\$ 1,019,999
2012	870,845	101,475	972,320
2013	855,983	101,475	957,458
2014	842,399	101,475	943,874
2015	827,927	101,475	929,402
2016-2020	4,971,024	507,375	5,478,399
2021-2025	6,111,632	507,375	6,619,007
2026-2030	5,214,425	507,375	5,721,800
2031-2035	2,734,380	507,375	3,241,755
2036-2038	2,646,882	471,350	3,118,232
Total	<u>\$ 25,968,520</u>	<u>\$ 3,033,726</u>	<u>\$ 29,002,246</u>

In May 2002, the Corporation issued COPs in the amount of \$5,180,000 with interest rates ranging from 3.00 – 4.25 percent. At June 30, 2010, the principal balance outstanding was \$1,645,000.

Year Ending June 30,	Principal	Interest	Total
2011	\$ 525,000	\$ 68,569	\$ 593,569
2012	550,000	46,912	596,912
2013	570,000	24,225	594,225
Total	<u>\$ 1,645,000</u>	<u>\$ 139,706</u>	<u>\$ 1,784,706</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

In May 2007, the Corporation issued COPs in the amount of \$29,725,000 with interest rates ranging from 3.56 – 4.41 percent. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2010, the principal balance outstanding was \$28,190,000.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,000,000	\$ 1,427,584	\$ 2,427,584
2012	500,000	1,385,084	1,885,084
2013	740,000	1,363,834	2,103,834
2014	875,000	1,332,384	2,207,384
2015	925,000	1,288,634	2,213,634
2016-2020	3,900,000	5,765,313	9,665,313
2021-2025	2,515,000	5,063,625	7,578,625
2026-2030	4,910,000	4,250,400	9,160,400
2031-2035	7,635,000	2,605,313	10,240,313
2036-2039	5,190,000	418,425	5,608,425
Total	<u>\$ 28,190,000</u>	<u>\$ 24,900,596</u>	<u>\$ 53,090,596</u>

Qualified Zone Academy Bonds

In December 2002, the District, pursuant to a lease/purchase agreement with the Corporation, issued \$7,000,000 of 2002 Lease Revenue Bonds, Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on December 19, 2016, with the entire principal amount of \$7,000,000 due at this date. The bonds do not bear interest. In lieu of receiving periodic interest payments, eligible taxpayers who are bondholders will receive an annual Federal income tax credit. At June 30, 2010, the balance due was \$2,766,281.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 395,183	\$ 117,435	\$ 512,618
2012	395,183	135,545	530,728
2013	395,183	154,275	549,458
2014	395,183	173,676	568,859
2015	395,183	183,634	578,817
2016-2017	790,366	113,582	903,948
Total	<u>\$ 2,766,281</u>	<u>\$ 878,147</u>	<u>\$ 3,644,428</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

In October 2005, the District issued \$4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. At June 30, 2010, the balance due was \$2,769,720.

Year Ending June 30,	Principal	Interest	Total
2011	\$ 230,810	\$ 27,992	\$ 258,802
2012	230,810	34,660	265,470
2013	230,810	41,499	272,309
2014	230,810	48,515	279,325
2015	230,810	55,712	286,522
2016-2020	1,154,050	99,261	1,253,311
2021-2022	461,620	107,228	568,848
Total	<u>\$ 2,769,720</u>	<u>\$ 414,867</u>	<u>\$ 3,184,587</u>

Lease Certificates

On August 1, 2009, the District refinanced the outstanding balance of the 1990 Certificates of Participation by purchasing 2009 Current Interest Lease Certificates in the amount of \$5,118,911 with an interest rate of 3.83 percent. At June 30, 2010, the principal balance outstanding was \$4,413,615.

Year Ending June 30,	Principal	Interest	Total
2011	\$ 707,922	\$ 155,485	\$ 863,407
2012	805,268	126,507	931,775
2013	902,200	93,809	996,009
2014	998,699	57,407	1,056,106
2015	999,526	38,282	1,037,808
Total	<u>\$ 4,413,615</u>	<u>\$ 471,490</u>	<u>\$ 4,885,105</u>

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2009	<u>\$ 159,539</u>
Payments	147,983
Balance, July 1, 2010	<u>\$ 11,556</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

The capital leases have minimum lease payments as follows:

Year Ending June 30, <u>2011</u>	Lease Payment
	\$ 11,556
Less: Amount Representing Interest	206
Present Value of Minimum Lease Payments	<u>\$ 11,350</u>

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2010, amounted to \$518,366.

Supplemental Employment Retirement Plan

The District entered into an agreement for a supplemental retirement benefits program for certain certificated and classified employees of the District. Eligibility requirements are that employees must have 10 years of service with the District, a minimum of three consecutive years prior to retirement, and must be 55 years of age. The agreement called for the District to make five equal installment payments into an annuity contract for the employees. At June 30, 2010, the District has an outstanding balance of \$7,444,554.

Year Ending June 30, <u>2011</u>	Total
2011	\$ 2,218,881
2012	2,218,881
2013	2,218,881
2014	787,911
Total	<u>\$ 7,444,554</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2010, was \$12,849,921 and contributions made by the District during the year were \$9,503,038. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$940,741 and \$816,186, respectively, which resulted in an increase to the net OPEB obligation of \$3,471,438. As of June 30, 2010, the net OPEB obligation was \$22,286,251. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefit plan.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$11,660,000 as of June 30, 2010, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 150,000	\$ -	\$ 3,684	\$ 153,684
Stores inventories	602,005	-	385,050	987,055
Prepaid expenditures	151,279	-	-	151,279
Restricted programs	15,019,962	77,510,344	18,568,129	111,098,435
Total Reserved	<u>15,923,246</u>	<u>77,510,344</u>	<u>18,956,863</u>	<u>112,390,453</u>
Unreserved				
Designated				
Economic uncertainties	35,087,004	-	9,926,321	45,013,325
Instructional materials program	6,545,173	-	-	6,545,173
Budget shifts	21,519,557	-	-	21,519,557
Staff development	500,000	-	-	500,000
Debt repayment	9,000,000	-	-	9,000,000
Retirement program	2,225,354	-	-	2,225,354
Kitchen renovation	-	-	2,000,000	2,000,000
Future portable rentals	-	-	2,600,000	2,600,000
Other designations	1,560,574	-	-	1,560,574
Total Designated	<u>76,437,662</u>	<u>-</u>	<u>14,526,321</u>	<u>90,963,983</u>
Undesignated	1,480,443	606,349	33,854,273	35,941,065
Total Unreserved	<u>77,918,105</u>	<u>606,349</u>	<u>48,380,594</u>	<u>126,905,048</u>
Total Fund Balance	<u>\$ 93,841,351</u>	<u>\$ 78,116,693</u>	<u>\$ 67,337,457</u>	<u>\$ 239,295,501</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 - 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 Santa Ana Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 722 retirees and beneficiaries currently receiving benefits and 4,408 active plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-2010, the District contributed \$9,503,038 to the Plan, all of which was used for current premiums (approximately 100 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 12,849,921
Interest on net OPEB obligation	940,741
Adjustment to annual required contribution	<u>(816,186)</u>
Annual OPEB cost (expense)	12,974,476
Contributions made	<u>(9,503,038)</u>
Increase in net OPEB obligation	3,471,438
Net OPEB obligation, beginning of year	<u>18,814,813</u>
Net OPEB obligation, end of year	<u><u>\$ 22,286,251</u></u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Annual Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 16,932,513	\$ 7,989,546	47%	\$ 8,942,967
2009	16,872,144	7,000,298	41%	18,814,813
2010	12,974,476	9,503,038	73%	22,286,251

Funded Status and Funding Progress

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

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (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, 2009	\$ -	\$ 119,052,495	\$ 119,052,495	-	\$ 290,304,821	41%

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.

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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

In the July 1, 2007, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five 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 ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2010, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 13 - RISK MANAGEMENT

The District's risk management activities are recorded in the General and Self-Insurance Funds. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims. The District has excess workers' compensation coverage at \$1 million SIR as well as being a participating member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability coverage up to \$5 million. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 16 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. 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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	<u>Workers'</u> <u>Compensation</u>
Liability Balance, July 1, 2008	\$ 13,067,646
Claims and changes in estimates	3,344,778
Claims payments	<u>(3,975,565)</u>
Liability Balance, June 30, 2009	12,436,859
Claims and changes in estimates	10,479,567
Claims payments	<u>(3,396,553)</u>
Liability Balance, June 30, 2010	<u>\$ 19,519,873</u>
Assets available to pay claims at June 30, 2010	<u>\$ 27,385,224</u>

NOTE 14 - 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 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, California 95826.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$18,018,459, \$18,943,253, and \$20,153,522, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$6,318,022, \$6,274,292, and \$7,041,245, respectively, and equal 100 percent of the required contributions for each year.

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 \$9,610,605 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

Litigation

The District is involved in various litigation arising from the normal course of business. 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, 2010.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Construction Commitments

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

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Critically Overcrowded Schools		
Kennedy Elementary	\$ 1,443,469	08/31/10
Lowell Elementary	1,198,275	12/31/10
Madison Elementary	1,168,341	07/31/11
Sierra Intermediate	7,020,394	12/31/11
Garfield Elementary	421,144	12/31/12
Mitchell Child Development Center	509,845	12/31/12
Modernization Projects		
Adams Elementary	47,039	08/20/11
Sepulveda Elementary	37,585	08/31/11
Taft Elementary	58,448	01/31/12
Lowell Elementary	82,007	02/28/12
Jackson Elementary	186,611	02/28/12
Greenville Fundamental	122,484	03/31/12
Hoover Elementary	228,907	04/30/12
Wilson Elementary	592,195	06/26/12
Fremont Elementary	125,466	06/30/12
Jefferson Elementary	84,130	12/31/12
Franklin Elementary	41,041	12/31/12
Lincoln Elementary	181,261	12/31/12
MacArthur Elementary	451,504	12/31/12
Willard Intermediate	1,120,946	12/31/12
Monte Vista Elementary	159,959	01/31/13
Madison Elementary	94,064	02/28/13
Monroe Elementary	195,876	03/31/13
Martin Elementary	130,773	04/30/13
Muir Elementary	54,374	04/30/13
Lathrop Intermediate	330,230	05/31/13
Roosevelt Elementary	388,730	05/31/13
Remington Elementary	413,942	09/30/13
Diamond Elementary	128,659	10/31/13
Edison Elementary	236,629	10/31/13
Harvey Elementary	187,491	10/31/13
Carr Intermediate	158,195	10/31/13
Santiago Elementary	169,151	10/31/13
Spurgeon Intermediate	175,335	12/31/13

SANTA ANA UNIFIED SCHOOL DISTRICT

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

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization Projects (Continued)		
Sierra Intermediate	\$ 140,086	02/28/14
McFadden Intermediate	93,735	08/31/14
Santa Ana High	7,926,705	12/31/14
Saddleback High	4,073,919	04/30/15
Emergency Repair Program		
Fremont Elementary	319,856	12/31/10
Garfield Elementary	36,825	12/31/10
Hoover Elementary	210,132	12/31/10
Jackson Elementary	105,554	12/31/10
Monte Vista Elementary	89,641	12/31/10
Valley High	122,836	12/31/10
Wilson Elementary	363,833	12/31/10
Santa Ana High	974,146	12/31/12
Overcrowded Relief Program		
Santa Ana High	768,225	08/31/11
Davis Elementary	47,790	12/31/11
Edison Elementary	84,654	12/31/11
Century High	5,415,117	02/28/12
Spurgeon Intermediate	778,580	02/28/12
Heninger Elementary	6,400,810	04/30/12
Energy Conservation Program		
Saddleback High	481,756	01/31/11
	<u>\$ 46,378,700</u>	

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entity for its property liability coverage. The relationships between the District and the pools 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.

During the year ended June 30, 2010, the District made payments of \$1,551,880 and \$141,489 to ASCIP and SELF, respectively for property liability coverage.

NOTE 17 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-2010 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), 25 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$279,890,351	\$265,319,731	\$265,391,917	\$ 72,186
Federal sources	53,072,423	85,114,925	70,875,949	(14,238,976)
Other State sources	105,742,891	111,677,813	130,589,754	18,911,941
Other local sources	7,724,825	11,373,234	9,863,293	(1,509,941)
Total Revenues ¹	446,430,490	473,485,703	476,720,913	3,235,210
EXPENDITURES				
Current				
Certificated salaries	230,907,637	238,151,552	233,726,109	4,425,443
Classified salaries	59,238,463	62,216,711	60,519,906	1,696,805
Employee benefits	91,266,183	88,692,670	96,919,367	(8,226,697)
Books and supplies	13,107,298	28,522,451	15,830,761	12,691,690
Services and operating expenditures	71,068,566	56,712,710	50,136,657	6,576,053
Other outgo	1,817,733	2,473,156	2,103,792	369,364
Capital outlay	1,569,166	626,652	467,303	159,349
Debt service - principal	-	705,296	705,296	-
Debt service - interest	-	169,369	169,369	-
Total Expenditures ¹	468,975,046	478,270,567	460,578,560	17,692,007
Excess (Deficiency) of Revenues Over Expenditures	(22,544,556)	(4,784,864)	16,142,353	20,927,217
Other Financing Sources (Uses)				
Transfers in	-	610,835	1,399,842	789,007
Other sources	-	-	5,027,755	5,027,755
Transfers out	(5,306,475)	(6,219,519)	(10,528,396)	(4,308,877)
Net Financing Sources (Uses)	(5,306,475)	(5,608,684)	(4,100,799)	1,507,885
NET CHANGE IN FUND BALANCES	(27,851,031)	(10,393,548)	12,041,554	22,435,102
Fund Balance - Beginning	81,799,797	81,799,797	81,799,797	-
Fund Balance - Ending	\$ 53,948,766	\$ 71,406,249	\$ 93,841,351	\$ 22,435,102

¹ On behalf payments of \$9,610,605 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SANTA ANA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (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, 2007	\$ -	\$ 139,206,929	\$ 139,206,929	\$ -	\$327,572,666	42%	
July 1, 2007	-	139,206,929	139,206,929	-	303,340,280	46%	
July 1, 2009	-	119,052,495	119,052,495	-	290,304,821	41%	

SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
American Recovery and Reinvestment Act (ARRA)			
State Fiscal Stabilization Fund	84.394	25008	\$ 19,142,914
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	14,774,738
ARRA: Title I, Part A - Low Income and Neglected	84.389	15005	2,884,359
Title I, Part A - Low Income and Neglected Action Plans	84.010	14956	3,520,777
Total Title I, Part A Cluster			<u>21,179,874</u>
Title I, Part B - Reading First	84.357A	14328	351,425
Title I, Part B - Reading First, Special Education Teacher Professional Development Pilot Program	84.357A	14911	1,890,077
Total Title I, Part B Cluster			<u>2,241,502</u>
Title I, Part B (3) Even Start Family Literacy Program	84.213	14331	120,750
Title I, Part C - Even Start Migrant Education (MEES)	84.011	14768	28,279
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	263,134
Total Title I, Part C Cluster			<u>291,413</u>
Title I - School Improvement Grant for QEIA Schools	84.377	15127	68,424
Title II, Part A - Improving Teacher Quality	84.367	14341	3,118,186
Title II, Part D - Enhancing Education Through Technology	84.318	14334	197,840
Title III - Limited English Proficient Student Program	84.365	10084	4,907,346
Title IV, Part A - Drug-Free Schools Formula Grant	84.186	14347	323,288
Title IV, Part B, 21st Century Community Learning Centers After School Partnerships Demonstration Program	84.287 84.278N	14349 [1]	3,872,912 470,891
Total Title IV, Part B Cluster			<u>4,343,803</u>
Title V, Part A - Innovative Education Strategies	84.298A	14354	87,546
Title X - McKinney-Vento Homeless Assistance	84.196A	14332	226,011
ARRA: Title X - McKinney-Vento Homeless Assistance	84.387	15007	75,604
Total Title X - McKinney Vento Cluster			<u>301,615</u>
Individuals with Disabilities Education Act			
Local Assistance	84.027A	13379	9,809,798
ARRA: Local Assistance	84.391	15003	9,152,969
Preschool Local Entitlement	84.027A	13682	805,502
ARRA: Preschool Local Entitlement	84.391	15002	529,198
Federal Preschool	84.173A	13430	351,905
ARRA: Federal Preschool	84.392	15000	293,219
Pre-Kindergarten Staff Development	84.173A	13431	2,823
Alternative Dispute Resolution, Part B, Sec 611	84.027	13007	15,000
Total Individuals with Disabilities Education Act Cluster			<u>20,960,414</u>

[1] Pass-Through Entity Identifying Number not available
See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
Passed through California Department of Education (CDE):			
Early Intervention Grants	84.181	23761	\$ 282,678
Carl D. Perkins Vocational and Technical Education Act Secondary Education	84.048	13924	460,183
Passed through Central County Regional Occupancy Program:			
Carl D. Perkins Vocational and Technical Education Act Post Secondary and Adult Education	84.048	13923	184,195
Passed through Rancho Santiago Community College District:			
Carl D. Perkins Vocational and Technical Education Act Tech Prep Consortium Project Agreement	84.243	13929	9,000
California State Gear-Up Program	84.334A	10088	331,097
Passed through Regents of the University of California, Irvine:			
Faculty Outreach Collaborations Uniting Scientists, Students, and Schools (FOCUS)	47.076	[1]	178,896
California State Gear-Up Program	84.334A	10088	16,617
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	265,167
ARRA: Vocational Rehabilitation Grant	84.390A	[1]	29,896
Passed through Orange County Department of Education:			
Title IV, Part D - Smaller Learning Communities	84.215L	03063	723,409
Teaching the American Nation	84.215X	[1]	46,710
Safe Schools Healthy Students Initiative	84.184L	[1]	16,662
Total U.S. Department of Education			<u>79,829,425</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.555	13396	18,161,608
Basic School Breakfast Program	10.553	13390	51,112
Especially Needy Breakfast Program	10.553	13390	4,280,135
Meal Supplements	10.556	13392	859,909
Commodities	10.555	13389	1,146,921
Seamless Summer Feeding Program	10.559	13004	1,017,277
Total National School Lunch Program Cluster			<u>25,516,962</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	934,314
Child Care Food	10.558	13393	608,060
Total U.S. Department of Agriculture			<u>27,059,336</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Billing Option	93.778	10013	\$ 838,011
Medical Administrative Activities	93.778	10060	717,440
Total Medical Assistance Program Cluster			<u>1,555,451</u>
Passed through CDE:			
Child Development, Quality Improvement	93.575	13979	1,781
Head Start	93.600	10016	2,563,514
ARRA: Head Start, Quality Improvement	93.708	10016	73,553
ARRA: Head Start, COLA	93.708	10016	41,894
Total Head Start Cluster			<u>2,680,742</u>
Child Nutrition, Nutrition Education	10.574	02151	693,959
Total U.S. Department of Health and Human Services			<u>4,930,152</u>
U.S. DEPARTMENT OF EMPLOYMENT DEVELOPMENT			
Passed through CDE:			
Workforce Investment Act	17.259	03422	153,300
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	160,002
Total Expenditures of Federal Awards			<u>\$ 112,132,215</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

ORGANIZATION

The Santa Ana Unified School District was organized in 1988, and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Audrey Yamagata-Noji, Ph.D.	President	2012
Rob Richardson	Vice President	2012
José Alfredo Hernández, J.D.	Clerk	2010
John Palacio	Member	2010
Roman A. Reyna	Member	2012

ADMINISTRATION

Jane A. Russo	Superintendent
Cathie Olsky, Ed.D.	Deputy Superintendent
Juan M. Lopez	Associate Superintendent, Human Resources
Michael P. Bishop, Sr., CBO	Associate Superintendent, Business Services
Herman Mendez	Assistant Superintendent, Elementary Education
Dawn Miller	Assistant Superintendent, Secondary Education
Doreen Lohnes	Assistant Superintendent, Support Services
Joe Dixon	Assistant Superintendent, Facilities/Governmental Relations
Angela Burrell	Public Information Officer

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Amended Second Period Report	Annual Report
	<u> </u>	<u> </u>
ELEMENTARY		
Kindergarten	4,036	4,052
First through third	12,659	12,667
Fourth through sixth	11,510	11,509
Seventh and eighth	7,446	7,415
Home and hospital	7	8
Special education	1,359	1,355
Community day schools	155	140
Total Elementary	<u>37,172</u>	<u>37,146</u>
SECONDARY		
Regular classes	13,615	13,508
Continuation education	534	531
Home and hospital	12	13
Special education	684	681
Community day schools	47	57
Total Secondary	<u>14,892</u>	<u>14,790</u>
Total K-12	<u>52,064</u>	<u>51,936</u>

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2009-10	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	30,800	36,000	35,000	36,000	180	-	Complied
Grades 1 - 3	42,240	41,067	50,400	49,000				
Grade 1					50,746	180	-	Complied
Grade 2					50,746	180	-	Complied
Grade 3					50,746	180	-	Complied
Grades 4 - 6	52,800	51,333	54,000	52,500				
Grade 4					54,115	180	-	Complied
Grade 5					54,115	180	-	Complied
Grade 6					54,115	180	-	Complied
Grades 7 - 8	52,800	51,333	54,000	52,500				
Grade 7					58,344	180	-	Complied
Grade 8					58,344	180	-	Complied
Grades 9 - 12	62,128	60,402	64,800	63,000				
Grade 9					64,800	180	-	Complied
Grade 10					64,800	180	-	Complied
Grade 11					64,800	180	-	Complied
Grade 12					64,800	180	-	Complied

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

	General Fund	Building Fund	County School Facilities Fund
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Balance, June 30, 2010, Unaudited Actuals	\$ 95,321,794	\$ 77,510,344	\$ 16,563,992
Increase (Decrease) in:			
Accounts receivable	(1,480,443)	-	-
Due from other funds	-	606,349	-
Decrease (Increase) in:			
Due to other funds	-	-	(606,349)
Balance, June 30, 2010, Audited Financial Statement	<u>\$ 93,841,351</u>	<u>\$ 78,116,693</u>	<u>\$ 15,957,643</u>

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2011 ¹	2010	2009	2008
GENERAL FUND				
Revenues	\$ 447,788,007	\$ 476,720,913	\$ 504,350,304	\$ 512,353,257
Other sources	-	6,427,597	582,978	9,851
Total Revenues and Other Sources	447,788,007	483,148,510	504,933,282	512,363,108
Expenditures	476,310,734	460,578,560	482,047,821	511,395,634
Other uses and transfers out	6,772,263	10,528,396	4,641,132	6,870,556
Total Expenditures and Other Uses	483,082,997	471,106,956	486,688,953	518,266,190
INCREASE (DECREASE) IN FUND BALANCE	\$ (35,294,990)	\$ 12,041,554	\$ 18,244,329	\$ (5,903,082)
ENDING FUND BALANCE	\$ 60,026,804	\$ 93,841,351	\$ 81,799,797	\$ 63,555,468
AVAILABLE RESERVES ²	\$ 33,898,527	\$ 46,084,727	\$ 49,068,239	\$ 37,418,256
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	7.02%	9.99%	10.31%	7.38%
LONG-TERM OBLIGATIONS	N/A	\$ 391,714,599	\$ 339,793,339	\$ 222,665,318
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	51,099	52,064	52,626	52,182

The General Fund balance has increased by \$30,285,883 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$35,294,990 (37.6 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2010-2011 fiscal year. Total long-term obligations have increased by \$169,049,281 over the past two years.

Average daily attendance has decreased by 118 over the past two years. Additional decline of 965 ADA is anticipated during fiscal year 2010-2011.

¹ Budget 2011 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, and Special Reserve Fund (other than capital outlay).

³ On behalf payments of \$9,610,605, \$10,695,837, and \$11,378,737, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2010, 2009, and 2008, respectively.

⁴ Excludes Adult Education ADA.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Edward B. Cole Senior Academy of Santa Ana	No
El Sol Science and Arts Academy of Santa Ana	No
NOVA Academy	No
Orange County High School of the Arts	No
Orange County Educational Arts Academy (OCEAA)	No

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 21,557	\$ 768,133	\$ 12,994,397	\$ 189,954
Receivables	-	60,566	5,066,386	173
Due from other funds	322	8,610	69,387	7,145
Stores inventories	-	-	385,050	-
Restricted assets, investments	-	-	-	-
Total Assets	<u>\$ 21,879</u>	<u>\$ 837,309</u>	<u>\$ 18,515,220</u>	<u>\$ 197,272</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 50,750	\$ 2,299,890	\$ 76,144
Due to other funds	21,879	516,121	3,154,512	14,932
Deferred revenue	-	-	-	-
Total Liabilities	<u>21,879</u>	<u>566,871</u>	<u>5,454,402</u>	<u>91,076</u>
Fund Balances:				
Reserved for:				
Revolving cash	-	-	3,684	-
Stores inventories	-	-	385,050	-
Legally restricted balances	-	270,418	-	-
Unreserved:				
Designated	-	-	11,926,321	-
Undesignated, reported in:				
Special revenue funds	-	20	745,763	106,196
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balance	<u>-</u>	<u>270,438</u>	<u>13,060,818</u>	<u>106,196</u>
Total Liabilities and Fund Balances	<u>\$ 21,879</u>	<u>\$ 837,309</u>	<u>\$ 18,515,220</u>	<u>\$ 197,272</u>

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Capital Outlay Projects Fund	Capital Project Fund for Blended Component Units
\$ 9,510,876	\$ 1,145,997	\$ -	\$ 16,807,845	\$ 5,609,475	\$ 3,130,825
7,211	1,225	-	20,337	4,364	1,626
-	-	-	207,541	2,164,768	7
-	-	-	-	-	-
-	-	-	-	-	-
\$ 9,518,087	\$ 1,147,222	\$ -	\$ 17,035,723	\$ 7,778,607	\$ 3,132,458
\$ 807	\$ 103,880	\$ -	\$ 354,565	\$ 686,296	\$ 28,136
-	500,879	-	723,515	3,125,250	764,254
-	-	-	-	637,249	-
807	604,759	-	1,078,080	4,448,795	792,390
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,957,643	-	2,340,068
-	-	-	-	2,600,000	-
9,517,280	-	-	-	-	-
-	-	-	-	-	-
-	542,463	-	-	729,812	-
9,517,280	542,463	-	15,957,643	3,329,812	2,340,068
\$ 9,518,087	\$ 1,147,222	\$ -	\$ 17,035,723	\$ 7,778,607	\$ 3,132,458

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (Continued)
 JUNE 30, 2010

	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 15,495,495	\$ 4,591,250	\$ 70,265,804
Receivables	16,945	-	5,178,833
Due from other funds	-	-	2,457,780
Stores inventories	-	-	385,050
Restricted assets, investments	-	2,109,049	2,109,049
Total Assets	\$ 15,512,440	\$ 6,700,299	\$ 80,396,516
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,600,468
Due to other funds	-	-	8,821,342
Deferred revenue	-	-	637,249
Total Liabilities	-	-	13,059,059
Fund Balances:			
Reserved for:			
Revolving cash	-	-	3,684
Stores inventories	-	-	385,050
Legally restricted balances	-	-	18,568,129
Unreserved:			
Designated	-	-	14,526,321
Undesignated, reported in:			
Special revenue funds	-	-	10,369,259
Debt service funds	15,512,440	6,700,299	22,212,739
Capital projects funds	-	-	1,272,275
Total Fund Balance	15,512,440	6,700,299	67,337,457
Total Liabilities and Fund Balances	\$ 15,512,440	\$ 6,700,299	\$ 80,396,516

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ -	\$ 1,781	\$ 26,125,022	\$ -
Other State sources	-	1,716,668	2,018,317	-
Other local sources	-	6,506	3,679,911	4,729
Total Revenues	-	1,724,955	31,823,250	4,729
EXPENDITURES				
Current				
Instruction	-	1,166,736	-	-
Instruction-related activities:				
Supervision of instruction	-	102,998	-	-
School site administration	-	217,327	-	-
Pupil services:				
Food services	-	-	27,196,996	-
All other pupil services	-	8,542	-	-
Administration:				
All other administration	-	71,831	1,174,250	-
Plant services	-	20,948	1,051,890	1,631,244
Facility acquisition and construction	-	-	27,345	-
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	-	1,588,382	29,450,481	1,631,244
Excess (Deficiency) of Revenues Over Expenditures	-	136,573	2,372,769	(1,626,515)
Other Financing Sources (Uses)				
Transfers in	-	-	-	1,732,711
Other sources	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	-	1,732,711
NET CHANGE IN FUND BALANCES	-	136,573	2,372,769	106,196
Fund Balance - Beginning	-	133,865	10,688,049	-
Fund Balance - Ending	\$ -	\$ 270,438	\$ 13,060,818	\$ 106,196

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Capital Outlay Projects Fund	Capital Project Fund for Blended Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10,820,732	2,698,303	-
107,748	616,702	-	343,163	90,614	28,606
<u>107,748</u>	<u>616,702</u>	<u>-</u>	<u>11,163,895</u>	<u>2,788,917</u>	<u>28,606</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	27,009	-	-	-	-
-	83,760	-	28,335	5,691	-
-	316,301	-	18,872,640	4,366,603	224,162
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	671
<u>-</u>	<u>427,070</u>	<u>-</u>	<u>18,900,975</u>	<u>4,372,294</u>	<u>224,833</u>
<u>107,748</u>	<u>189,632</u>	<u>-</u>	<u>(7,737,080)</u>	<u>(1,583,377)</u>	<u>(196,227)</u>
-	150,000	-	-	1,947,688	150,000
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,399,842)</u>	<u>(150,000)</u>
-	150,000	-	-	547,846	-
<u>107,748</u>	<u>339,632</u>	<u>-</u>	<u>(7,737,080)</u>	<u>(1,035,531)</u>	<u>(196,227)</u>
9,409,532	202,831	-	23,694,723	4,365,343	2,536,295
<u>\$ 9,517,280</u>	<u>\$ 542,463</u>	<u>\$ -</u>	<u>\$ 15,957,643</u>	<u>\$ 3,329,812</u>	<u>\$ 2,340,068</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ 26,126,803
Other State sources	97,119	-	17,351,139
Other local sources	17,835,383	859,374	23,572,736
Total Revenues	17,932,502	859,374	67,050,678
EXPENDITURES			
Current			
Instruction	-	-	1,166,736
Instruction-related activities:			
Supervision of instruction	-	-	102,998
School site administration	-	-	217,327
Pupil services:			
Food services	-	-	27,196,996
All other pupil services	-	-	8,542
Administration:			
All other administration	-	-	1,273,090
Plant services	-	-	2,821,868
Facility acquisition and construction	-	-	23,807,051
Other outgo	-	1,063,050	1,063,050
Debt service			
Principal	5,663,655	7,785,000	13,448,655
Interest and other	7,972,934	2,150,071	10,123,676
Total Expenditures	13,636,589	10,998,121	81,229,989
Excess (Deficiency) of Revenues Over Expenditures	4,295,913	(10,138,747)	(14,179,311)
Other Financing Sources (Uses)			
Transfers in	-	8,795,685	12,776,084
Other sources	1,075,694	-	1,075,694
Transfers out	-	(150,000)	(1,699,842)
Net Financing Sources (Uses)	1,075,694	8,645,685	12,151,936
NET CHANGE IN FUND BALANCES	5,371,607	(1,493,062)	(2,027,375)
Fund Balance - Beginning as Restated	10,140,833	8,193,361	69,364,832
Fund Balance - Ending	\$ 15,512,440	\$ 6,700,299	\$ 67,337,457

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2009-2010		2008-2009		2007-2008	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 70,876	14.9	\$ 72,598	14.4	\$ 49,641	9.7
State and local revenue included in revenue limit	265,392	55.6	303,242	60.1	319,085	62.3
Other State revenue	130,590	27.4	119,000	23.6	128,603	25.1
Other local revenue	6,219	1.3	4,563	0.9	15,024	2.9
Tuition and transfers in	3,644	0.8	4,947	1.0	-	-
Total Revenues	476,721	100.0	504,350	100.0	512,353	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	233,726	49.0	243,810	48.3	259,022	50.5
Classified salaries	60,520	12.7	62,371	12.4	73,113	14.3
Employee benefits	96,920	20.3	104,480	20.7	106,639	20.8
Total Salaries and Benefits	391,166	82.0	410,661	81.4	438,774	85.6
Books and supplies	15,831	3.3	16,383	3.2	21,771	4.2
Contracts and operating expenses	50,137	10.5	52,387	10.4	47,099	9.2
Capital outlay	467	-	257	0.0	901	0.2
Other outgo	2,978	0.6	2,360	0.5	2,850	0.6
Total Expenditures	460,579	96.4	482,048	95.5	511,395	99.8
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,142	3.6	22,302	4.5	958	0.2
OTHER FINANCING SOURCES (USES)						
Transfers	(9,129)	(2.0)	-	-	-	-
Other sources	5,028	1.1	(4,058)	(0.8)	(6,861)	(1.3)
INCREASE (DECREASE) IN FUND BALANCE	12,041	2.7	18,244	3.7	(5,903)	(1.1)
FUND BALANCE, BEGINNING	81,800		63,556		69,459	
FUND BALANCE, ENDING	<u>\$ 93,841</u>		<u>\$ 81,800</u>		<u>\$ 63,556</u>	
ENDING FUND BALANCE TO TOTAL REVENUES	0.20		0.16		0.12	
BASE REVENUE LIMIT PER ADA						
Regular	<u>\$ 6,369</u>		<u>\$ 6,107</u>		<u>\$ 5,778</u>	

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues reported in Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 97,002,752
American Recovery Reinvestment Act: State Fiscal Stabilization Funds	84.394	15,534,521
Medi-Cal Billing	93.778	(405,058)
Total Schedule of Expenditures of Federal Awards		<u>\$ 112,132,215</u>

Local Education Agency Organization Structure

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

Schedule of 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. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206. Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirement, whichever is greater, as required by *Education Code* Section 46201. Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-2010 through 2012-2013.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

The Non-Major Governmental Funds Combining 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 column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

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
Santa Ana Unified School District
Santa Ana, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District as of and for the year ended June 30, 2010, which collectively comprise Santa Ana Unified School District's basic financial statements and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Ana Unified 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 Santa Ana Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Santa Ana Unified 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Ana Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Santa Ana Unified School District in a separate letter dated December 6, 2010.

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

Rancho Cucamonga, California
December 6, 2010

Vavrinek, Trine, Day & Co., LLP



**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
Santa Ana Unified School District
Santa Ana, California

Compliance

We have audited the compliance of Santa Ana Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Santa Ana Unified 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 Santa Ana Unified School District's management. Our responsibility is to express an opinion on Santa Ana Unified 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 Santa Ana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Santa Ana Unified School District's compliance with those requirements.

In our opinion, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

The management of Santa Ana Unified 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 Santa Ana Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Santa Ana Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Santa Ana Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Santa Ana Unified School District's response and, accordingly, we express no opinion on it.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Table with 3 columns: Item, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Accounting, Instructional Time, and Instructional Materials.

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

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

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

Vavriets, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA ANA UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

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?	<u>None Reported</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?	<u>None Reported</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 Section .510(a) of OMB Circular A-133?	<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, Part A Cluster (including ARRA)</u>
<u>84.367</u>	<u>Title II, Part A</u>
<u>84.365</u>	<u>Title III, Limited English Proficient Student Program</u>
<u>84.196A, 84.387 (ARRA)</u>	<u>Title X, McKinney-Vento Homeless Assistance Grant Cluster (including ARRA)</u>
<u>84.394 (ARRA)</u>	<u>ARRA, State Fiscal Stabilization Fund</u>
<u>93.600, 93.708 (ARRA)</u>	<u>Head Start Program Cluster (including ARRA)</u>
<u>84.027, 84.027A, 84.173A</u>	
<u>84.391 (ARRA)</u>	<u>Individuals with Disabilities Education Act</u>
<u>84.392 (ARRA)</u>	<u>Cluster (including ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,363,966</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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

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

2010-1 50000

Federal Program

Title: Title I, Part A Comprehensive School Wide Plans and Title II, Part A, Improving Teacher Quality State Grants
CFDA: 84.010; 84.367
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education; U.S. Department of Health and Human Services

Criteria or Specific Requirement

Compliance Area: Procurement and Suspension and Debarment
Under the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement, the District is prohibited from contracting with or making sub-awards that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred. The District must verify that the entity is not suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the transaction with that entity.

Condition Found

The District is unaware of the requirements under the Procurement and Suspension and Debarment requirement. As a result, the District lacks sufficient internal controls to ensure compliance in this area.

Questioned Cost Identified

All identified vendors were verified using the Excluded Parties List System and we did not identify any questioned costs.

Context

The condition identified was determined based on inquiry with District personnel and it appears that the condition is a pervasive issue.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Effect

Due to the lack of control activities to ensure compliance over the Procurement and Suspension and Debarment requirement, the District has no knowledge of whether they are contracting with excluded and/or debarred vendors or not.

Cause

It appears that the condition has materialized as a result of the lack of knowledge over the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement.

Recommendation

Responsible personnel at the District should become familiar with Procurement and Suspension and Debarment requirements as outlined in OMB Circular A-133's compliance supplement. The District should begin identifying potential vendors that may be subject to this compliance requirement through the examination of purchase requisitions. By reviewing purchase requisitions and understanding the compliance requirements that District can perform necessary verification procedures recommended on the OMB Circular A-133's compliance requirement to ensure that the District remains compliant. Without the process in place, the District has no method of identifying federally debarred vendors before the contracting with them.

District Response

Effective January 1, 2011, the following procedures will be in place to ensure that Santa Ana Unified School District is in compliance with audit finding 2010-1, where the District's representatives responsible for verification of information of current and prospective vendors were not verifying the eligibility of the vendors using the Federal Excluded Parties List System for procurement suspension and debarment:

- For existing vendors already active in Santa Ana Unified School District's procurement system, these vendors will be reprocessed through the Excluded Parties List System to ensure that they are in suspension and debarment compliance.
- For new District vendors, moving forward, an extra step has been added to the current procedure for adding a vendor listing to the District procurement system. This step requires the District representative entering the new vendor information to also verify suspension and debarment via the Excluded Parties List System and filing the information obtained with the vendor's W-9 information in the vendor's permanent file.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

None reported.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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

2009-1 40000

After School Safety and Education Program (ASES)

Attendance Records and Reporting

Criteria or Specific Requirements

Compliance requirements mandate for schools to maintain adequate source documents supporting the number of students served by the program as reported semiannually to the California Department of Education. Additionally, adequate documentation must be maintained to support attendance participation consistent with early release and late start policies.

Condition

Per review of attendance sign in/out sheets, there does not appear to be adequate documentation showing actual student participation. Noted numerous instances where students signed in, but did not sign out, and vice versa. Additionally, source documents do not consistently track actual times when students are signing out from the program. Noted the attendance recording procedures do not adequately facilitate proper attendance accounting.

Out of five after school programs selected for testing, the District was unable to provide adequate attendance source documents for one of its ASES operating sites (*Carr Intermediate*). Per review of attendance source documents at Carr Intermediate after school program, the attendance for the month selected for testing was determined to be overstated by 1,545 students served.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The conditions identified were a result of the auditor attempting to validate the number of students served as reported by the District to the site attendance summaries. The auditor attempted to validate the number of students served as reported to the State to the documentation used to summarize the numbers of students served. The auditor obtained the attendance summaries used to submit the students served to the State for seven sites and verified the mathematical accuracy of the summaries. After determining the mathematical accuracy of the summaries, the total students served for each site was compared to the total students served as reported to the State.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Effect

For the attendance period tested as noted above, there was a total overstatement of students served of 4,252 for the classes tested. Failure to provide reliable and fairly stated attendance figures may lead to decreased funding for future apportionments.

Cause

The lack of adequate source documentation makes it difficult to determine if the number of students served reported to the State during semiannual reporting requirements is fairly stated. Additionally, failure to document the student sign-outs are consistent with early release policies may increase the likelihood that the District does not meet the "full day" requirement. Failure to provide reliable and fairly stated attendance figures may lead to decreased funding during future apportionments.

Recommendation

The District may need to consider revising their procedures used to take attendance. Sign-in and sign-out sheets are not being completed properly by students and site personnel. Since attendance drives the funding for this program, District personnel should emphasize the importance of maintaining complete and auditable attendance records. Additionally, the District should modify attendance sign in/out sheets to include a space to document the reason for early release from the program.

Current Status

Implemented.



Governing Board
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the basic financial statements of Santa Ana Unified School District for the year ending June 30, 2010, we considered its internal control structure in order to determine out auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2010, on the basic financial statements of Santa Ana Unified School District.

INTERNAL CONTROL

Title I, Part A Comprehensive School Wide Plans

Observation

Based on the review of the District's completed comprehensive school wide plans for all applicable sites (Title I funded sites), the District did not include the element regarding Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)). The auditor has determined that the condition found is neither direct nor material with respect to the program. However, the auditor sees the importance in communicating the matter to the District to ensure future correction.

Recommendation

For schools operating as school wide programs, the District should ensure that comprehensive school wide plans are updated and completed in a timely manner. Additionally, the District should incorporate all necessary elements and components into its school wide plans, as outline and required by Title 34 of the CFR sections 200.26(a) through 200.26(c) and Title 34 of the CFR sections 200.28(a) through 200.28(e).

ASSOCIATED STUDENT BODY (ASB)

Timely Deposits

Sites noted: Sierra Intermediate, Valley High

Observation

During our review of the cash receipting and deposit procedures for the ASB, it was noted that deposits are not being made on a timely basis. Within the sample of cash receipts selected for testing, we identified instances of up to 20 days between initial cash receipting and subsequent deposit to the ASB bank account.

Recommendation

Deposits should be made at least weekly in order to minimize the amount of cash held at the site. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. However, the ultimate responsibility will rely on the site personnel to ensure that cash receipts are deposited in a timely manner.

Receipting Reconciliation

Sites noted: Sierra Intermediate, Villa Intermediate, Willard Intermediate and Valley High

Observation

Cash deposits lack reconciling items such as receipt numbers, log sheets or tally sheets. At Villa Intermediate, the site does not reconcile the cash deposit to the closeout summary report in the Tracks system. The site does not run the "Closeout Summary Report" in the Tracks system and reconcile the cash on hand to the system's record of cash receipts. At Valley High, the log and cash collections are forwarded to the ASB office to be deposited to the ASB bank account. However, the log did not include signatures from the team members as recognition that the amounts are accurate.

Recommendation

The club advisors must ensure that proper receipt documentation exists to substantiate the completeness of all cash deposits. This will usually take the form of a sub-receipt book or a log. In the event that the club advisor uses a log, the individuals forwarding money for deposit to the ASB bank account should be required to sign the log as evidence that the information is accurate. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact. In addition, cash collected should be reconciled to the amount of items sold. Any discrepancies should be noted during this process and documented on the deposit slip.

Master Ticket Log

Sites noted: Segerstrom High, Valley High

Observation

The site does not utilize a master ticket log to properly track the range of tickets sold at each ticketed event.

Recommendation

A master ticket log should be used for each ticketed event in order to reconcile the beginning and ending numbers on the ticket rolls. The log should be properly safeguarded in a secure location with the tickets.

Perpetual Inventory

Sites noted: Sierra Intermediate, Villa Intermediate, and Valley High

Observation

The site does not maintain proper accountability over its PE clothing inventory. Periodic inventory counts are performed. However, there are no perpetual inventory records to establish a basis for reconciling the physical counts. In addition, a sales analysis of PE clothes/spirit clothes is not performed to reconcile the collection of cash to the items sold.

Recommendation

The site should include a reconciliation of each physical inventory count with a perpetual record of inventory. The perpetual inventory record can be established by adding purchases to the beginning balance and subtracting the number of clothes sold or donated. The site should maintain records of the starting inventory as well as the items purchased during the year. From the maintained records, the site should be able to determine the total amount of items sold during the year. The amount deposited from the sales of items should be compared to the number of items sold. Any variances/discrepancies should be noted and explained. This procedure should be adopted to ensure all cash collected from the sale of ASB, PE clothes inventory is subsequently deposited into the ASB account. In addition, clear inventory records aids the site in determining the amount of PE clothes inventory required to be on hand during year. This procedure helps deter overages/shortages of PE clothes inventory.

Disbursements

Sites noted: Sierra Intermediate, Villa Intermediate, Willard Intermediate and Valley High

Observation

The ASB disbursements selected for testing were not properly pre-approved. The invoice/ receipt date was prior to the date on which the three required signatures of approval were obtained. In some cases, the disbursement was not supported by an invoice or other supporting documentation (approved purchase order).

Recommendation

Education Code Section 48933(b) requires that each ASB disbursement should be authorized by obtaining signatures from a student representative, a site administrator, and a certificated advisor. All three of the required signatures should be present prior to making a commitment to purchase goods or services. All expenditures made from the ASB account should be supported by invoices or receipts. The site should not process payment on any item without documentation from the vendor/service provider. In addition, the site should not process expenditures without an approved purchase order that is signed by all parties. All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items.

Revenue Potential

Sites noted: Sierra Intermediate, Villa Intermediate, and Segerstrom High

Observation

Revenue potential forms are not completed at the conclusion of fundraising events.

Recommendation

All revenue potentials must be completely filled out at the end of each fundraiser. The revenue potentials form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser. In addition, the site should mandate that all clubs must get pre-approval from the student council before beginning a fundraising event. The approval of fundraisers can be documented on a request form and in the student body minutes.

Student Participation

Site noted: Villa Intermediate

Observation

It appears the student council is not sufficiently involved in the fundraising and cash disbursement approval process. The site did not sufficiently document student council involvement in ASB transactions in the minutes. We were unable to review minutes as the site did not maintain records.

Recommendation

The site should maintain proper documentation of ASB Meetings to record pre-approval of all ASB expenditures by the student body.

Fundraising Event

Site noted: Segerstrom High School

Observation

One of the two fundraising events selected for testing lacked pre-approval from the student council.

Recommendation

The site should adopt a procedure to require the approval of the student council on all fundraising events. The approval of the fundraising events should be documented in the ASB minutes. In addition, the site should implement a fundraiser approval form that documents the club requesting the activity, the fundraising activity, the dates of the activity and the approvals. All documentation should be maintained by the ASB office in order to document the ASB approval.

Financial Information

Site noted: Willard Intermediate

Observation

The site does not receive deposit verification from the District office. Cash is sent to the District office and the site does not receive a receipted deposit slip to verify that cash was deposited.

Recommendation

The site does not prepare their financial statements or maintain their own bank accounts, in order to verify that cash is received at the District office and deposited into the account, the site should be forwarded a receipted deposit slip from the District office. This would ensure that the site has documentation that the cash forwarded to the District office for deposit was received intact. Any discrepancies should be noted during this process.

We will review the status of the current year comments during our next audit engagement.

Rancho Cucamonga, California
December 6, 2010

Vavromak, Trine Day & Co., LLP