

**SANTA ANA UNIFIED SCHOOL DISTRICT**

---

ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2011**

# SANTA ANA UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2011

---

### ***INTRODUCTORY SECTION***

Introduction

### ***FINANCIAL SECTION***

Independent Auditors' Report	6
Management's Discussion and Analysis	8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements	
Governmental Funds - Balance Sheet	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	22
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Proprietary Funds - Statement of Net Assets	26
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	27
Proprietary Funds - Statement of Cash Flows	28
Fiduciary Funds - Statement of Net Assets	29
Notes to Financial Statements	30

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	66
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	67

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	69
Local Education Agency Organization Structure	72
Schedule of Average Daily Attendance	73
Schedule of Instructional Time	74
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	75
Schedule of Financial Trends and Analysis	76
Schedule of Charter Schools	77
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	79
General Fund Selected Financial Information	80
Note to Supplementary Information	81

# SANTA ANA UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2011

---

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	84
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	86
Report on State Compliance	88

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

Summary of Auditors' Results	91
Financial Statement Findings	92
Federal Awards Findings and Questioned Costs	93
State Awards Findings and Questioned Costs	95
Summary Schedule of Prior Audit Findings	96
Management Letter	98

---

---

***INTRODUCTORY SECTION***

---

---



## INTRODUCTION

**The Santa Ana Unified School District is dedicated to high academic achievement, in a scholarly and supportive environment, ensuring that all students are prepared to accomplish their goals in life.**

### **Vision Statement:**

The Santa Ana Unified School District is recognized as one of the leading American urban school districts, notable for the achievement of its students, the quality of its teachers, support staff, and administrators, the engagement of its community, the clarity of its strategies, and the effectiveness and efficiency of its systems. The District is on the cutting edge of equipping all students to succeed in their life goals, in American society, and in the free-market economy.

### **Board of Education Goals:**

1. **Academic Achievement** - We will equip students to achieve their highest academic potential.
2. **Prepared Students** - We will assure that students are prepared to succeed in higher education and to accomplish their life goals.
3. **Quality Academic Programs** - We will offer rigorous and outstanding learning opportunities, aligned with state standards and federal guidelines.
4. **Strategic Allocation of Resources** - We will be accountable for using resources wisely, efficiently, and strategically to support District goals.
5. **Clear Communication** - We will communicate clearly, consistently, responsibly, and proactively in a timely manner with all stakeholders.
6. **Parent and Community Relationships** - We will promote and develop positive relationships with all segments of the community, in order to foster open communication, accessibility, and pride in our schools.
7. **Outstanding Employees** - We will recruit, select, and retain caring, competent, and qualified staff.
8. **Exemplary Facilities** - We will assure that all facilities are safe, effective, well-maintained learning environments.
9. **Success Focus** - We will cultivate, recognize, and celebrate success.

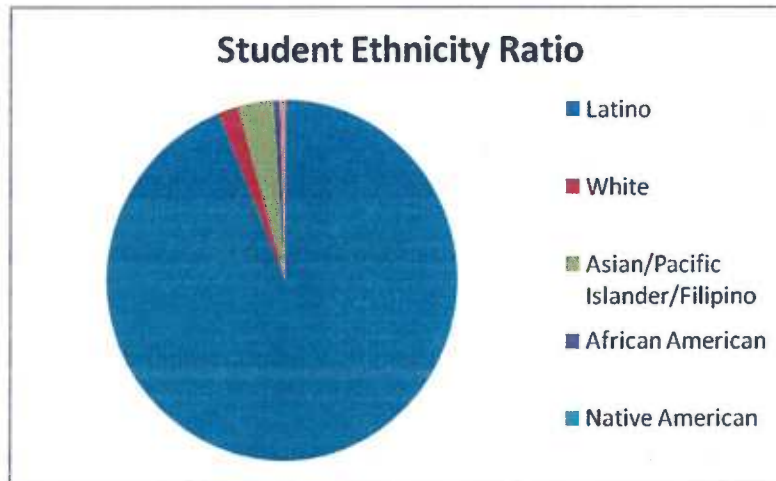
# SANTA ANA UNIFIED SCHOOL DISTRICT

## INTRODUCTION FOR THE YEAR ENDED JUNE 30, 2011

**Number of Students:** Approx. 56,000 (K-12)

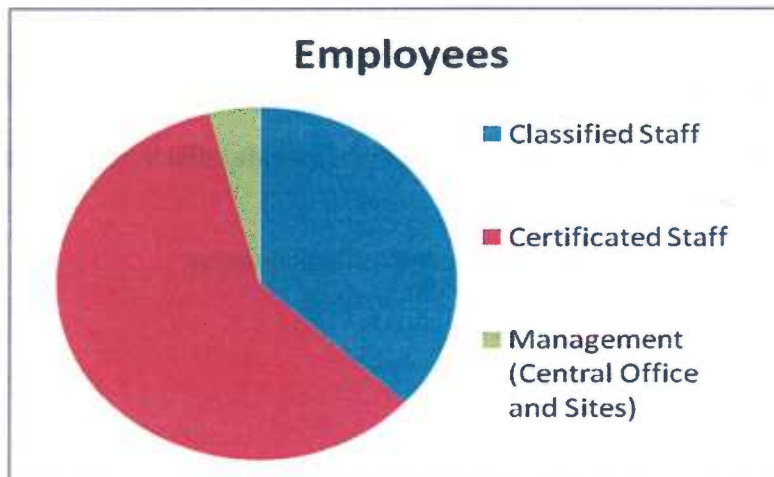
### Student Racial/Ethnic Composition:

94.6%	Latino
1.8%	White
3.3%	Asian/Pacific Islander/Filipino
0.6%	African American
0.1%	Native American
0.4%	Other



**Number of Employees (Full-time and Part-time):** 4,654

Certificated - 2,761  
Classified - 1,715  
Management (Central Office and Sites) 189



# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **INTRODUCTION FOR THE YEAR ENDED JUNE 30, 2011**

**Geographic Size:** 24 Square Miles  
**Size of Operating Budget:** \$483.1 million

### **Other Info:**

- SAUSD is the 6th largest school district in California, and the largest in Orange County.
- Approximately 60% of SAUSD students are English learners. Spanish, Vietnamese and Khmer are the most common languages spoken at home.
- Approximately 87% of SAUSD students participate in free or reduced-price meal programs.

---

---

***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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Notes 1 and 18.

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 7, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 8 through 18 and budgetary comparison and other postemployment information on pages 66 and 67, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited information listed in the table of contents, including the Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

VANDERK. TRANS. INC. & CO. LLP

Rancho Cucamonga, California  
December 7, 2011



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, 2011. 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. 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 two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified 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, 2011

---

### 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, 2011

---

**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, 2011

---

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$604.3 million for the fiscal year ended June 30, 2011, reflecting an increase of 12.9 percent since June 30, 2010. Of this amount, \$26.8 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	
	2011	2010
<b>Assets</b>		
Current and other assets	\$ 392,842,504	\$ 319,731,468
Capital assets	747,408,617	683,207,515
<b>Total Assets</b>	<b>1,140,251,121</b>	<b>1,002,938,983</b>
<b>Liabilities</b>		
Current liabilities, including current portion of long-term obligations	84,488,666	90,797,151
Long-term obligations	451,495,118	377,052,637
<b>Total Liabilities</b>	<b>535,983,784</b>	<b>467,849,788</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	447,718,296	405,582,829
Restricted	129,718,415	59,196,402
Unrestricted	26,830,626	70,309,964
<b>Total Net Assets</b>	<b>\$ 604,267,337</b>	<b>\$ 535,089,195</b>

The \$26.8 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, 2011**

---

**Changes in Net Assets**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 20. 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**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,709,138	\$ 4,604,297
Operating grants and contributions	178,177,715	169,500,686
Capital grants and contributions	96,474,338	11,163,895
General revenues:		
Federal and State aid not restricted	237,635,149	225,741,903
Property taxes	103,559,138	111,133,074
Other general revenues	34,233,330	38,142,169
<b>Total Revenues</b>	<b><u>653,788,808</u></b>	<b><u>560,286,024</u></b>
<b>Expenses</b>		
Instruction	340,344,639	319,920,955
Instruction-related	67,727,638	60,826,483
Student support services	61,236,368	58,193,753
Administration	18,261,763	21,861,695
Plant services	49,100,554	45,284,648
Interest on long-term obligations	18,775,457	14,220,105
Other	19,645,248	22,914,272
<b>Total Expenses</b>	<b><u>575,091,667</u></b>	<b><u>543,221,911</u></b>
<b>Change in Net Assets</b>	<b><u>\$ 78,697,141</u></b>	<b><u>\$ 17,064,113</u></b>

**Governmental Activities**

As reported in the *Statement of Activities* on page 20, the cost of all of our governmental activities this year was \$575.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$103.6 million because the cost was paid by those who benefited from the programs (\$3.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$274.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$271.9 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, 2011**

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, and interest on long-term obligations, all 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	
	2011	2010	2011	2010
Instruction	\$ 340,344,639	\$ 319,920,955	\$ 144,578,988	\$ 214,823,233
Instruction-related	67,727,638	60,826,483	39,393,318	36,973,173
Student support services	61,236,368	58,193,753	18,148,282	16,534,119
Administration	18,261,763	21,861,695	14,428,242	15,300,956
Plant services	49,100,554	45,284,648	45,182,737	41,221,001
Interest on long-term obligations	18,775,457	14,220,105	18,775,457	14,220,105
Other	19,645,248	22,914,272	16,223,452	18,880,446
<b>Total</b>	<b>\$ 575,091,667</b>	<b>\$ 543,221,911</b>	<b>\$ 296,730,476</b>	<b>\$ 357,953,033</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$306.1 million, which is an increase of \$66.8 million from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2010			June 30, 2011
	As Restated	Revenues	Expenditures	
General Fund	\$ 103,358,631	\$ 493,461,467	\$ 496,507,045	\$ 100,313,053
Building Fund	78,116,693	48,916,730	50,304,759	76,728,664
County School Facilities Fund	15,957,643	96,481,842	27,594,260	84,845,225
Non-Major Governmental Funds	41,862,534	75,550,973	73,177,813	44,235,694
<b>Total</b>	<b>\$ 239,295,501</b>	<b>\$ 714,411,012</b>	<b>\$ 647,583,877</b>	<b>\$ 306,122,636</b>

The primary reasons for these increases/decreases are:

- a. Our County School Facilities Fund increased by approximately \$68.9 million due to State matching of funds
- b. The Non-Major Governmental Funds showed an increase of approximately \$2.4 million due in large part to enacted budget reductions.
- c. All other funds showed a decrease of approximately \$4.4 million



# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

---

### 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 66).

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

- Re-allocation of categorical program carryover from the prior 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, 2011, the District had \$747.4 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 \$64.2 million, or 9.4 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2011	2010
Land and construction in progress	\$ 245,797,457	\$ 181,958,097
Buildings and improvements	492,281,358	495,846,340
Furniture and equipment	9,329,802	5,403,078
<b>Total</b>	<b>\$ 747,408,617</b>	<b>\$ 683,207,515</b>

This year's additions of \$64 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.

Several capital projects are planned for the 2011-2012 year. We anticipate capital additions to be \$35 million for the 2011-2012 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

---

### Long-Term Obligations

At the end of this year, the District had \$470.6 million in long-term obligations versus \$420.8 million last year, an increase of 11.8 percent. The obligations consisted of:

**Table 6**

	Governmental Activities	
	2011	2010
General obligation bonds - net (financed with property taxes)	\$ 342,775,837	\$ 297,794,182
Certificates of participation	56,177,386	57,265,279
Qualified zone academy bonds	11,500,000	11,500,000
Lease certificates	3,705,693	4,413,615
Capitalized lease obligations	-	11,350
Compensated absences	572,922	518,366
Supplemental employment retirement plan	5,225,674	7,444,555
Claims liability	21,870,151	19,519,873
Other postemployment benefits	28,791,535	22,286,251
<b>Total</b>	<b>\$ 470,619,198</b>	<b>\$ 420,753,471</b>

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 \$333 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.

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

- Launched the Santa *¡Adelante!* Initiative with Santa Ana College and California State University of Fullerton. By signing a pledge and meeting all admission qualifications, Santa Ana *¡Adelante!* guarantees a spot in college for those seniors who commit to attending Santa Ana College, and further matriculating on to CSUF to obtain a baccalaureate degree.
- Santa Ana Unified School District completed the largest Solar Project of its kind in Orange County.
- Jackson Elementary School won a \$100,000 New Live Positively Fitness Center in the Governor's Fitness Challenge.
- Valley High Girls' Water Polo team captured the CIF Southern Section Championship Division VII Title, the first ever CIF title for a school district girls' team.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

---

- SAUSD was recognized by the College Board for significant gains in Advanced Placement Access and Performance - our school district is one of 388 honored nationwide.
- SAUSD received model designation from the State School Attendance Review Board for Increasing Attendance and Reducing Drop-out Rates.

<b>Most improved schools in Orange County</b>			
<b>Rank</b>	<b>School</b>	<b>API 2010</b>	<b>Change from 2009</b>
2	Orange County Educational Arts Academy, Santa Ana Unified	752	92
4	Jose Sepulveda Elementary, Santa Ana Unified	752	61
8	Garfield Elementary, Santa Ana Unified	725	55
10	Monroe Elementary, Santa Ana Unified	802	52

- Two schools have exited Program Improvement and have met Federal No Child Left Behind (NCLB) Testing Targets: Esqueda Elementary and Romero-Cruz Elementary.
- SAUSD schools continue their 6<sup>th</sup> straight year of academic improvement according to data released by the California Department of Education. SAUSD gained more than 16 points on the Academic Performance Index (API) - the statewide accountability system - to improve to a current score of 740, up from 724 a year ago. The goal is to reach the State's recommended API score of 800.
- All 36 elementary schools have an API of 714 or higher

### **Three of the top 10 most improved public schools in Orange County are SAUSD schools**

- Edward B. Cole Academy
- Franklin Elementary School
- Willard Intermediate School

### **2010-2011 Title I Achieving Schools:**

- Harvey Elementary
- Muir Fundamental Elementary
- Thorpe Fundamental Elementary and
- El Sol Science and Arts Academy

### **National Blue Ribbon Schools:**

- Harvey Elementary School, 2010
- T Muir Fundamental and Thorpe Fundamental Elementary, 2011

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

---

### **Golden Bell Award:**

Jackson Elementary, 2011

### **OC Register's 2011 Annual Public Schools Ranking:**

- Middle College High School earned a silver medal rating in the 2011 OC Register "Best High Schools" ranking, placing the early college school at number three on the list of best public high schools in Orange County.
- Mendez Fundamental received a bronze medal
- Nine elementary schools received medals

### **Ten California Business for Education Excellence (CBEE) Foundation 2010 Honor Roll Honorees:**

- Esqueda Elementary
  - Heninger Elementary
  - Madison Elementary
  - Monroe Elementary
  - Muir Fundamental Elementary
  - Remington Elementary
  - Romero-Cruz Elementary
  - Santiago Elementary
  - Thorpe Fundamental Elementary
  - **Middle College High** School was named a Star School - those with high populations of low-income students.
- 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, 2011

---

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

In considering the District Budget for the 2011-12 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 19.754 percent
  - (b) Statutory COLA of 2.24%
  - (c) 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 2008-2009 the District experienced a gain of 215 students. In 2009-2010 and 2010-11, the District experienced a loss of 500 students and 609 students, respectively. For 2011-12 the District is projecting a decline in student enrollment of 330 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	4,385
Grade one	25:1	4,423
Grade two	25:1	4,668
Grade three	30:1	4,260
Grades four through five	34:1	8,205
Grades six through eight	33.5:1	12,483
Grades nine through twelve	32.5:1	15,572

- (2) The budget includes \$31.5 million in Board approved budget reductions. Inclusive of this amount, the District has made budget reductions totaling \$194.7 million over the past eight 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 Director of Accounting, at Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322, or e-mail at [christeen.betz@sausd.us](mailto:christeen.betz@sausd.us).

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Deposits and investments	\$ 285,553,993
Receivables	101,760,219
Prepaid expenses	115,661
Deferred cost on issuance	3,323,302
Deferred charges on refunding	695,680
Stores inventories	1,393,649
Capital assets	
Land and construction in process	245,797,457
Other capital assets	631,791,618
Less: accumulated depreciation	(130,180,458)
Total Capital Assets	<u>747,408,617</u>
<b>Total Assets</b>	<u><u>1,140,251,121</u></u>
<b>LIABILITIES</b>	
Accounts payable	39,861,478
Interest payable	4,845,573
Deferred revenue	10,657,535
Current loans	10,000,000
Long-term obligations	
Current portion of long-term obligations	19,124,080
Noncurrent portion of long-term obligations	451,495,118
Total Long-Term Liabilities	<u>470,619,198</u>
<b>Total Liabilities</b>	<u><u>535,983,784</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	447,718,296
Restricted for:	
Debt service	18,513,213
Capital projects	86,188,384
Educational programs	9,121,897
Other activities	15,894,921
Unrestricted	26,830,626
<b>Total Net Assets</b>	<u><u>\$ 604,267,337</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, 2011**

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
<b>Governmental Activities:</b>					
Instruction	\$ 340,344,639	\$ 340,910	\$ 98,950,403	\$ 96,474,338	\$ (144,578,988)
Instruction-related activities:					
Supervision of instruction	30,249,756	13,077	22,739,828	-	(7,496,851)
Instructional library, media, and technology	3,556,357	1,753	103,014	-	(3,451,590)
School site administration	33,921,525	2,098	5,474,550	-	(28,444,877)
Pupil services:					
Home-to-school transportation	9,056,493	-	1,793,963	-	(7,262,530)
Food services	28,435,354	2,936,890	26,533,601	-	1,035,137
All other pupil services	23,744,521	45,019	11,778,613	-	(11,920,889)
Administration:					
Data processing	3,757,197	-	3,602	-	(3,753,595)
All other administration	14,504,566	95,327	3,734,592	-	(10,674,647)
Plant services	49,100,554	118,029	3,799,788	-	(45,182,737)
Facility acquisition and construction	2,108,588	-	-	-	(2,108,588)
Ancillary services	4,191,544	327	13,570	-	(4,177,647)
Community services	13,573	-	-	-	(13,573)
Enterprise services	24,019	-	2,624	-	(21,395)
Interest on long-term obligations	18,775,457	-	-	-	(18,775,457)
Other outgo	13,307,524	155,708	3,249,567	-	(9,902,249)
<b>Total Governmental Activities</b>	<b>\$ 575,091,667</b>	<b>\$ 3,709,138</b>	<b>\$ 178,177,715</b>	<b>\$ 96,474,338</b>	<b>(296,730,476)</b>
General revenues and subventions:					
					85,341,530
					17,754,593
					463,015
					237,635,149
					1,102,396
					33,130,934
					<b>375,427,617</b>
<b>Change in Net Assets</b>					
					78,697,141
					525,570,196
					<b>\$ 604,267,337</b>

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

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Deposits and investments	\$ 48,712,461	\$ 86,200,957	\$ 89,514,189	\$ 38,942,698	\$ 263,370,305
Receivables	93,539,483	90,547	72,838	8,042,056	101,744,924
Due from other funds	2,563,581	747,127	-	1,739,162	5,049,870
Stores inventories	982,857	-	-	410,792	1,393,649
<b>Total Assets</b>	<b>\$ 145,798,382</b>	<b>\$ 87,038,631</b>	<b>\$ 89,587,027</b>	<b>\$ 49,134,708</b>	<b>\$ 371,558,748</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 24,125,776	\$ 8,853,490	\$ 4,062,765	\$ 2,566,503	\$ 39,608,534
Due to other funds	702,018	1,456,477	679,037	2,332,511	5,170,043
Other current liabilities	10,000,000	-	-	-	10,000,000
Deferred revenue	10,657,535	-	-	-	10,657,535
<b>Total Liabilities</b>	<b>45,485,329</b>	<b>10,309,967</b>	<b>4,741,802</b>	<b>4,899,014</b>	<b>65,436,112</b>
<b>Fund Balances:</b>					
Nonspendable	1,132,857	-	-	412,666	1,545,523
Restricted	9,034,086	76,728,664	84,845,225	40,272,011	210,879,986
Committed	-	-	-	2,265,987	2,265,987
Assigned	42,476,344	-	-	1,285,030	43,761,374
Unassigned	47,669,766	-	-	-	47,669,766
<b>Total Fund Balances</b>	<b>100,313,053</b>	<b>76,728,664</b>	<b>84,845,225</b>	<b>44,235,694</b>	<b>306,122,636</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 145,798,382</b>	<b>\$ 87,038,631</b>	<b>\$ 89,587,027</b>	<b>\$ 49,134,708</b>	<b>\$ 371,558,748</b>

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, 2011**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 306,122,636</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 877,589,075	
Accumulated depreciation is	<u>(130,180,458)</u>	
Net Capital Assets		747,408,617
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		3,323,302
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.		(4,913,690)
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.		379,839
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included with governmental activities.		695,680
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:		
General obligation bonds	310,044,376	
Premium on issuance of bonds	10,242,947	
Certificates of participation	42,373,748	
Premium on issuance of certificates	1,405,537	
Qualified zone academy bonds	11,500,000	
Lease certificates	3,705,693	
Compensated absences (vacations)	572,922	
Other long-term obligations	5,225,674	
Net OPEB obligation	28,791,535	
In addition, the District has issued "capital appreciation" bonds and certificates. The accretion of interest on those bonds and certificates to date is the following:		
Total Long-Term Obligations	<u>34,886,615</u>	<u>(448,749,047)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$ 604,267,337</u></u></b>

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 BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue limit sources	\$ 275,188,403	\$ -	\$ -	\$ -	\$ 275,188,403
Federal sources	79,805,175	-	-	27,481,004	107,286,179
Other State sources	124,820,238	-	96,013,522	4,462,899	225,296,659
Other local sources	9,647,651	3,015,719	468,320	22,493,625	35,625,315
<b>Total Revenues</b>	<b>489,461,467</b>	<b>3,015,719</b>	<b>96,481,842</b>	<b>54,437,528</b>	<b>643,396,556</b>
<b>EXPENDITURES</b>					
Current					
Instruction	326,470,690	-	-	1,203,850	327,674,540
Instruction-related activities:					
Supervision of instruction	27,832,450	-	-	206,598	28,039,048
Instructional library, media and technology	3,485,418	-	-	-	3,485,418
School site administration	33,171,968	-	-	81,391	33,253,359
Pupil services:					
Home-to-school transportation	9,051,149	-	-	-	9,051,149
Food services	51,430	-	-	28,135,690	28,187,120
All other pupil services	21,603,848	-	-	164,733	21,768,581
Administration:					
Data processing	3,652,900	-	-	-	3,652,900
All other administration	13,037,410	-	-	992,639	14,030,049
Plant services	42,996,701	88,803	64,314	4,068,712	47,218,530
Facility acquisition and construction	409,718	50,215,956	27,529,946	1,836,914	79,992,534
Ancillary services	4,121,497	-	-	-	4,121,497
Community services	13,227	-	-	-	13,227
Other outgo	3,654,442	-	-	-	3,654,442
Enterprise services	6,514	-	-	-	6,514
Debt service					
Principal	719,272	-	-	10,990,885	11,710,157
Interest and other	575,329	-	-	12,277,808	12,853,137
<b>Total Expenditures</b>	<b>490,853,963</b>	<b>50,304,759</b>	<b>27,594,260</b>	<b>59,959,220</b>	<b>628,712,202</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,392,496)</b>	<b>(47,289,040)</b>	<b>68,887,582</b>	<b>(5,521,692)</b>	<b>14,684,354</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	4,000,000	-	-	5,349,047	9,349,047
Other sources	-	45,901,011	-	15,571,732	61,472,743
Transfers out	(5,653,082)	-	-	-	(5,653,082)
Other uses	-	-	-	(13,025,927)	(13,025,927)
<b>Net Financing Sources (Uses)</b>	<b>(1,653,082)</b>	<b>45,901,011</b>	<b>-</b>	<b>7,894,852</b>	<b>52,142,781</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,045,578)</b>	<b>(1,388,029)</b>	<b>68,887,582</b>	<b>2,373,160</b>	<b>66,827,135</b>
<b>Fund Balances - Beginning</b>	<b>93,841,351</b>	<b>78,116,693</b>	<b>15,957,643</b>	<b>51,379,814</b>	<b>239,295,501</b>
<b>Restatement</b>	<b>9,517,280</b>	<b>-</b>	<b>-</b>	<b>(9,517,280)</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 100,313,053</b>	<b>\$ 76,728,664</b>	<b>\$ 84,845,225</b>	<b>\$ 44,235,694</b>	<b>\$ 306,122,636</b>

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, 2011**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 66,827,135**  
**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	\$ 77,910,443	
Depreciation expense	<u>(13,709,341)</u>	
Net Expense Adjustment		64,201,102

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (retirement incentives) 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). This year, there were special termination benefits paid in the amount of \$2,218,881. Vacation earned was more than the amounts paid by \$54,556.

2,164,325

Other postemployment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(6,505,284)

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.

(58,191,011)

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

(2,199,393)

Governmental funds report the effect of the deferred amount on a refunding when debt is first issued, whereas the amounts are deferred and amortized on the Statement of Activities. This amount is the net effect of these related items.

695,680

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	22,200,000
Certificates of participation	2,240,885
Lease certificates	707,922
Capital lease obligations	11,350

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, 2011**

---

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds and certificates of participation.	\$ (7,345,217)
An internal service fund is used by the District's management to charge the costs of the worker's compensation insurance program to the individual funds. The net deficit of the Internal Service Fund is reported with governmental activities.	<u>(6,110,353)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 78,697,141</u></u></b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 22,183,688
Receivables	15,295
Due from other funds	523,975
Prepaid expenses	115,661
<b>Total Current Assets</b>	<b>22,838,619</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	184,827
Due to other funds	403,802
Current portion of long-term obligations	4,354,931
<b>Total Current Liabilities</b>	<b>4,943,560</b>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of long-term obligations	17,515,220
<b>NET ASSETS</b>	
Restricted	379,839
<b>Total Net Assets</b>	<b>\$ 379,839</b>

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, 2011**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 7,394,422
<b>OPERATING EXPENSES</b>	
Payroll costs	805,069
Supplies and materials	124,282
Facility rental	515
Other operating cost	9,008,662
<b>Total Operating Expenses</b>	<u>9,938,528</u>
<b>Operating Loss</b>	<u>(2,544,106)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	129,718
Transfers in	304,035
Transfers out	(4,000,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(3,566,247)</u>
<b>Change in Net Assets</b>	<u>(6,110,353)</u>
<b>Total Net Assets - Beginning</b>	6,490,192
<b>Total Net Assets - Ending</b>	<u>\$ 379,839</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, 2011

---

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 9,678,504
Other operating cash receipts	12,924
Cash payments to other suppliers of goods or services	(1,259,361)
Cash payments to employees for services	(573,513)
Other operating cash payments	(6,658,384)
Net Cash Provided by Operating Activities	<u>1,200,170</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from other funds	304,035
Transfer to other funds	(4,000,000)
Net Cash Used for Noncapital Financing Activities	<u>(3,695,965)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	129,718
Net decrease in cash and cash equivalents	(2,366,077)
Cash and cash equivalents - Beginning	24,549,765
Cash and cash equivalents - Ending	<u>\$ 22,183,688</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (2,544,106)
Changes in assets and liabilities:	
Receivables	2,441
Due from other funds	2,294,565
Prepaid expenditures	(115,661)
Accounts payable	(1,018,903)
Due to other fund	231,556
Claims liability	2,350,278
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,200,170</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, 2011**

---

	<b>Agency Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 3,413,750
<b>LIABILITIES</b>	
Due to student groups	\$ 1,790,812
Due to bondholders	1,622,938
<b>Total Liabilities</b>	<b>\$ 3,413,750</b>

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



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### 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 Fund for Blended Component Units 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, 2011

---

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. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and is 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 and report all financial resources not accounted for and reported in another fund.

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

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$13,576,891, \$13,575,775, and \$58,495, respectively.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

**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.

**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.).

### Non-Major Governmental Funds

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

**Adult Education Fund** The Adult Education Fund is used to account separately for 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.

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

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

**Special Reserve Fund for Capital Outlay Projects** 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 used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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** The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation 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.

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.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### **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 excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, 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 internal service fund 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.

**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.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

**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.

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.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### **Investments**

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting 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.

### **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 columns of the statement of net assets.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### Compensated Absences

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

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

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 Balances - Governmental Funds

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

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



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

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

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

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### 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 report \$129,718,415 of restricted net assets, which is restricted by enabling legislation.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### **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 1<sup>st</sup> 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, 2011

---

### Changes in Accounting Principles

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

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

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

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

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### New Accounting Pronouncements

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

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental activities	\$ 285,553,993
Fiduciary funds	3,413,750
Total Deposits and Investments	<u>\$ 288,967,743</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

Cash on hand and in banks	\$ 926,318
Cash in revolving	701,874
Investments	<u>287,339,551</u>
Total Deposits and Investments	<u><u>\$ 288,967,743</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.

**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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

---

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and 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.

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	Amount Reported	Fair Value	Maturity Date/ Average Maturity in Days
Orange County Investment Pool	\$ 278,133,522	\$ 277,622,477	289 days
Dreyfus Institutional Reserve Treasury Money Market Fund	2,389,742	2,389,742	54 days
INVESCO Government & Agency Money Market Fund	858	858	36 days
INTESA FDG LLC Commercial Paper	3,172,186	3,230,366	10/27/11
INTESA FDG LLC Commercial Paper	3,643,243	3,699,807	12/19/11
Total	<u>\$ 287,339,551</u>	<u>\$ 286,943,250</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.

Both the investment in the Orange County Investment Pool and the Dreyfus Institutional Reserve Treasury Money Market Fund have been rated Aaa by Moody's Investor Service as of June 30, 2011. The investment in the Invesco Government & Agency Money Market Fund has been rated A3, and the investment in the INTESA Commercial Paper has been rated P-1 by Moody's Investor Service as of June 30, 2011.

### 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, 2011**

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$1,612,394 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 INTESA FDG LLC of \$6,815,429, the District has a custodial credit risk exposure of \$6,815,429 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.

### NOTE 3 - RECEIVABLES

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 9,574,340	\$ -	\$ -	\$ 7,058,131	\$ -	\$ 16,632,471
State Government						
Apportionment	58,494,498	-	-	-	-	58,494,498
Categorical aid	15,530,805	-	-	602,761	-	16,133,566
Lottery	3,612,439	-	-	-	-	3,612,439
Other State	-	-	-	-	-	-
Local Government						
Interest	48,988	90,547	72,838	22,325	15,295	249,993
Regional occupational program	862,916	-	-	-	-	862,916
City of Santa Ana	887,844	-	-	-	-	887,844
Other Local Sources	4,527,653	-	-	358,839	-	4,886,492
Total	<u>\$ 93,539,483</u>	<u>\$ 90,547</u>	<u>\$ 72,838</u>	<u>\$ 8,042,056</u>	<u>\$ 15,295</u>	<u>\$ 101,760,219</u>

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 136,172,405	\$ -	\$ -	\$ 136,172,405
Construction in Progress	45,785,692	69,390,798	5,551,438	109,625,052
Total Capital Assets Not Being Depreciated	<u>181,958,097</u>	<u>69,390,798</u>	<u>5,551,438</u>	<u>245,797,457</u>
Capital Assets Being Depreciated:				
Land Improvements	24,920,609	-	-	24,920,609
Buildings and Improvements	585,459,885	9,515,181	-	594,975,066
Furniture and Equipment	17,859,301	4,555,902	10,519,260	11,895,943
Total Capital Assets Being Depreciated	<u>628,239,795</u>	<u>14,071,083</u>	<u>10,519,260</u>	<u>631,791,618</u>
Total Capital Assets	<u>810,197,892</u>	<u>83,461,881</u>	<u>16,070,698</u>	<u>877,589,075</u>
Less Accumulated Depreciation:				
Land Improvements	15,966,704	541,480	-	16,508,184
Buildings and Improvements	98,567,450	12,538,683	-	111,106,133
Furniture and Equipment	12,456,223	629,178	10,519,260	2,566,141
Total Accumulated Depreciation	<u>126,990,377</u>	<u>13,709,341</u>	<u>10,519,260</u>	<u>130,180,458</u>
Governmental Activities Capital Assets, Net	<u>\$ 683,207,515</u>	<u>\$ 69,752,540</u>	<u>\$ 5,551,438</u>	<u>\$ 747,408,617</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 8,705,432
Supervision of instruction	1,727,377
All other pupil services	1,535,446
All other administration	479,827
Plant services	1,261,259
Total Depreciation Expenses Governmental Activities	<u>\$ 13,709,341</u>



**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**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, 2011, between major and non-major governmental funds, and the internal service fund are as follows:

Due To	Due From					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 30,218	\$ -	\$ 2,129,561	\$ 403,802	\$ 2,563,581
Building Fund	4,857	-	679,037	63,233	-	747,127
Non-Major Governmental Funds	174,647	1,426,259	-	138,256	-	1,739,162
Internal Service Fund	522,514	-	-	1,461	-	523,975
<b>Total</b>	<b>\$ 702,018</b>	<b>\$ 1,456,477</b>	<b>\$ 679,037</b>	<b>\$ 2,332,511</b>	<b>\$ 403,802</b>	<b>\$ 5,573,845</b>

A balance of \$95,413 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$2,009,149 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of salaries and benefits paid.

A balance of \$114,059 due to the Capital Facilities Non-Major Governmental Fund from the General Fund resulted from reimbursement of portable rental leases.

A balance of \$806,265 due to the Capital Facilities Non-Major Governmental Fund from the Building Fund resulted from reimbursement of portable rental leases.

A balance of \$119,473 due to the General Fund from the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund resulted from reimbursement of modernization expenses.

A balance of \$400,000 due to the General Fund from the Internal Service Fund resulted from the repayment of an interfund loan.

The balance of \$679,037 due to the Building Fund from the County School Facilities Fund resulted from the reclassification of building/modernization expenses.

A balance of \$611,580 due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the Building Fund resulted from the reclassification of building/modernization expenses.

The balance of \$522,514 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, 2011**

---

**Operating Transfers**

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

Transfer To	Transfer From		Total
	General Fund	Internal Service Fund	
General Fund	\$ -	\$ 4,000,000	\$ 4,000,000
Non-Major Governmental Funds	5,349,047	-	5,349,047
Internal Service Funds	304,035	-	304,035
Total	<u>\$ 5,653,082</u>	<u>\$ 4,000,000</u>	<u>\$ 9,653,082</u>

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for the required program match.	\$ 1,532,711
The General Fund transferred to the Debt Service Non-Major Governmental Fund for debt service payments.	3,816,336
The General Fund transferred to the Internal Service Fund for program reimbursement costs.	304,035
The Internal Service Fund transferred to the General Fund for the repayment of an interfund loan.	<u>4,000,000</u>
Total	<u>\$ 9,653,082</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, 2011**

**NOTE 6 - ACCOUNTS PAYABLE**

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 4,101,382	\$ -	\$ -	\$ 76,995	\$ -	\$ 4,178,377
Salaries and benefits	10,861,381	106,816	-	667,291	19,871	11,655,359
Books and supplies	2,895,093	-	-	1,026,601	-	3,921,694
Construction	792,443	8,746,674	4,062,765	333,645	-	13,935,527
Services and other operating payables	5,475,477	-	-	461,971	164,956	6,102,404
<b>Total</b>	<b>\$ 24,125,776</b>	<b>\$ 8,853,490</b>	<b>\$ 4,062,765</b>	<b>\$ 2,566,503</b>	<b>\$ 184,827</b>	<b>\$ 39,793,361</b>

**NOTE 7 - DEFERRED REVENUE**

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

	General Fund
Federal financial assistance	\$ 10,499,904
State categorical aid	4,669
Other local	152,962
<b>Total</b>	<b>\$ 10,657,535</b>

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

The District issued \$9,000,000 of Tax and Revenue Anticipation Notes dated February 17, 2010. The notes matured on December 1, 2010 with an interest rate of 2.0 percent. The notes were sold to supplement cash flow. Repayments terms stipulate that 100 percent of principal and interest was due on the account to a designated Fiscal Agent by the notes' maturity date. During the year, the District fulfilled its obligation and did not have an outstanding 2009-10 Tax and Revenue Anticipation Note.

The District also issued \$10,000,000 of Tax Revenue Anticipation Notes dated March 16, 2011. The notes mature on December 1, 2011 with an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment terms stipulate that 100 percent of the principle and interest is due on the account to a designated Fiscal Agent by the notes' maturity date. At June 30, 2011, the District had an outstanding 2010-11 Tax and Revenue Anticipation Note in the amount of \$10,000,000.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2010	Additions	Payments	Outstanding June 30, 2011
02/17/10	2.00%	12/01/10	\$ 9,000,000	\$ -	\$ 9,000,000	\$ -
03/16/11	2.00%	12/01/11	-	10,000,000	-	10,000,000
			<u>\$ 9,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 10,000,000</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	\$ 290,468,070	\$ 64,264,820	\$ 22,200,000	\$ 332,532,890	\$ 9,725,000
Premium on issuance	7,326,112	3,281,732	364,897	10,242,947	-
Certificates of participation	55,803,520	1,209,214	2,240,885	54,771,849	2,020,000
Premium on issuance	1,461,759	-	56,222	1,405,537	-
2002 Qualified zone academy bonds	7,000,000	-	-	7,000,000	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Lease certificates	4,413,615	-	707,922	3,705,693	805,268
Capital leases	11,350	-	11,350	-	-
Compensated absences	518,366	54,556	-	572,922	-
Supplemental employment retirement plan	7,444,555	-	2,218,881	5,225,674	2,218,881
Claims liability	19,519,873	6,705,209	4,354,931	21,870,151	4,354,931
Other postemployment benefits	22,286,251	12,997,457	6,492,173	28,791,535	-
	<u>\$ 420,753,471</u>	<u>\$ 88,512,988</u>	<u>\$ 38,647,261</u>	<u>\$ 470,619,198</u>	<u>\$ 19,124,080</u>

Payments made on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Capital lease obligations are made from the General Fund. The Accrued vacation will be paid by the fund for which the employees worked. Supplemental early retirement plan will be paid by the General Fund. Other postemployment benefits are generally paid by the General Fund.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2010	Issued	Accreted	Redeemed	Outstanding June 30, 2011
03/30/00	08/01/29	5.00-5.750%	\$56,320,000	\$ 1,355,000	\$ -	\$ -	\$ 1,355,000	\$ -
07/11/02	08/01/32	3.00-5.375%	38,000,000	33,005,000	-	-	13,110,000	19,895,000
10/30/02	08/01/32	2.68-5.530%	50,828,156	50,964,148	-	2,487,141	3,520,000	49,931,289
08/06/08	08/01/33	3.50-5.510%	99,997,856	100,942,798	-	714,549	3,065,000	98,592,347
11/12/09	08/01/29	3.00-4.250%	49,775,000	49,775,000	-	-	1,150,000	48,625,000
11/20/09	08/01/47	6.54-7.337%	34,861,114	35,186,124	-	2,708,202	-	37,894,326
11/20/09	09/15/26	5.910%	19,240,000	19,240,000	-	-	-	19,240,000
12/02/10	08/01/20	3.00-5.00%	8,591,011	-	8,591,011	163,917	-	8,754,928
12/02/10	08/01/28	6.450%	17,535,000	-	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	-	19,775,000	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	-	12,290,000	-	-	12,290,000
				<u>\$ 290,468,070</u>	<u>\$ 58,191,011</u>	<u>\$ 6,073,809</u>	<u>\$ 22,200,000</u>	<u>\$ 332,532,890</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. A balance of \$46,220,000 was refunded with the proceeds from the 2009 General Obligation Refunding Bonds, with the prepayment occurring on August 1, 2010. With the final payment made during the 2010-2011 fiscal period, the bonds no longer had a principal balance outstanding as of June 30, 2011.

**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 to 5.375 percent. At June 30, 2011, the principal balance outstanding was \$19,895,000.

**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 to 5.53 percent. At June 30, 2011, the principal balance outstanding was \$49,931,289.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

---

### **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 to 5.51 percent. At June 30, 2011, the principal balance outstanding was \$98,592,347 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2011, was \$5,299,606.

### **2009 General Obligation Refunding Bonds**

On November 12, 2009, the District issued \$49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of \$46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity date to occur on August 1, 2029 and yield interest rates ranging between 3.00 to 4.25 percent. At June 30, 2011, the principal balance outstanding was \$48,625,000.

### **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 to 7.337 percent. At June 30, 2011, the principal balance outstanding was \$37,894,326 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2011, was \$ 1,737,997.

### **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, 2011, the principal balance outstanding was \$19,240,000.

### **2008 General Obligation Bonds, Series D, Series E, Series F**

On December 2, 2010, the District issued \$6,445,000 in current interest bonds and \$2,146,011 in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds mature on August 1, 2020 and yield an interest rate of 3.00 to 5.00 percent. At June 30, 2011, the principal balance outstanding was \$8,754,928.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

On December 2, 2010, the District issued \$19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds mature on August 1, 2041 and yield an interest rate of 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2011, the principal balance outstanding was \$19,775,000.

On December 2, 2010, the District issued \$17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds mature on August 1, 2028 and yield an interest rate of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2011, the principal balance outstanding was \$17,535,000.

Unamortized premium received and costs of issuance of the bonds as of June 30, 2011, were \$2,325,023 and \$589,908, respectively. Issuance costs and the premium are amortized over the life of the bonds.

**2010 General Obligation Refunding Bonds**

On December 2, 2010, the District issued \$12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of \$12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity date to occur on August 1, 2022 and yield interest rates ranging between 2.50 to 5.00 percent. At June 30, 2011, the principal balance outstanding was \$12,290,000.

**Debt Service Requirements to Maturity**

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Compound Interest Paid at Maturity	Total
2012	\$ 9,948,120	\$ 71,880	\$ 10,614,955	\$ 20,634,955
2013	6,888,339	216,661	10,209,692	17,314,692
2014	7,681,815	363,185	10,233,147	18,278,147
2015	8,214,760	515,240	10,212,984	18,942,984
2016	8,703,765	661,235	10,157,704	19,522,704
2017-2021	40,281,081	5,427,962	54,609,998	100,319,041
2022-2026	53,214,626	8,553,677	61,929,177	123,697,480
2027-2031	100,141,414	16,308,586	41,514,421	157,964,421
2032-2036	56,636,697	57,813,303	18,114,695	132,564,695
2037-2041	16,797,027	52,722,973	2,668,465	72,188,465
2042-2046	2,215,000	-	155,050	2,370,050
2047-2048	21,810,246	280,804,754	-	302,615,000
Total	<u>\$ 332,532,890</u>	<u>\$ 423,459,456</u>	<u>\$ 230,420,288</u>	<u>\$ 986,412,634</u>

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**Certificates of Participation**

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs			COPs
				Outstanding July 1, 2010	Accreted	Redeemed	Outstanding June 30, 2011
Oct-99	08/01/38	3.60-6.25%	\$ 17,691,700	\$ 25,968,520	\$ 1,209,214	\$ 715,885	\$ 26,461,849
May-02	08/01/13	3.00-4.25%	5,180,000	1,645,000	-	525,000	1,120,000
May-07	08/01/39	3.56-4.41%	29,725,000	28,190,000	-	1,000,000	27,190,000
				<u>\$ 55,803,520</u>	<u>\$ 1,209,214</u>	<u>\$ 2,240,885</u>	<u>\$ 54,771,849</u>

In October 1999, the Corporation issued COPs in the amount of \$17,691,700 with interest rates ranging from 3.60 to 6.25 percent. These certificates were issued for the construction of two elementary schools. At June 30, 2011, the principal balance outstanding was \$26,461,847, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Interest	Total
2012	\$ 918,322	\$ 51,678	\$ 101,475	\$ 1,071,475
2013	903,486	106,514	101,475	1,111,475
2014	890,000	164,999	101,475	1,156,474
2015	875,106	224,894	101,475	1,201,475
2016	861,952	288,048	101,475	1,251,475
2017-2021	4,401,108	2,258,892	507,375	7,167,375
2022-2026	6,481,232	7,763,768	507,375	14,752,375
2027-2031	5,532,414	11,072,586	507,375	17,112,375
2032-2036	4,408,229	10,736,771	507,375	15,652,375
2037-2038	1,190,000	-	65,450	1,255,450
Total	<u>\$ 26,461,849</u>	<u>\$ 32,668,150</u>	<u>\$ 2,602,325</u>	<u>\$ 61,732,324</u>

In May 2002, the Corporation issued COPs in the amount of \$5,180,000 with interest rates ranging from 3.00 to 4.25 percent. At June 30, 2011, the principal balance outstanding was \$1,120,000.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 550,000	\$ 46,912	\$ 596,912
2013	570,000	24,225	594,225
Total	<u>\$ 1,120,000</u>	<u>\$ 71,137</u>	<u>\$ 1,191,137</u>



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

---

In May 2007, the Corporation issued COPs in the amount of \$29,725,000 with interest rates ranging from 3.56 to 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, 2011, the principal balance outstanding was \$27,190,000.

Year Ending June 30,	Principal	Interest	Total
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	980,000	1,242,384	2,222,384
2017-2021	3,370,000	5,586,054	8,956,054
2022-2026	2,640,000	4,931,588	7,571,588
2027-2031	5,710,000	3,992,625	9,702,625
2032-2036	8,670,000	2,204,475	10,874,475
2037-2039	2,780,000	145,950	2,925,950
Total	<u>\$ 27,190,000</u>	<u>\$ 23,473,012</u>	<u>\$ 50,663,012</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. The annual base rental payment of \$395,183 to begin December 19, 2022, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the \$7,000,000 certificates upon maturity on December 19, 2016. At June 30, 2011, the principal balance outstanding was \$7,000,000.

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. The annual base rental payment of \$230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the \$4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2011, the principal balance outstanding was \$4,500,000.

### 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 \$3,705,693.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 3,705,693</u>	<u>\$ 316,005</u>	<u>\$ 4,021,698</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:

	Telecommunications
Balance, July 1, 2010	\$ 11,556
Payments	11,556
Balance, July 1, 2011	<u>\$ -</u>

**Compensated Absences**

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2011, amounted to \$572,922.

**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, 2011, the District has an outstanding balance of \$5,225,674.

Year Ending June 30,	Total
2012	\$ 2,218,881
2013	2,218,881
2014	787,912
Total	<u>\$ 5,225,674</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

---

### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2011, was \$12,849,921, and contributions made by the District during the year were \$6,492,173. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,114,313 and (\$966,777), respectively, which resulted in an increase to the net OPEB obligation of \$6,505,284. As of June 30, 2011, the net OPEB obligation was \$28,791,535. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### **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 \$11,575,000 as of June 30, 2011, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ 1,874	\$ 151,874
Stores inventories	982,857	-	-	410,792	1,393,649
Total Nonspendable	1,132,857	-	-	412,666	1,545,523
<b>Restricted</b>					
Legally restricted programs	9,034,086	-	-	87,811	9,121,897
Cafeteria program	-	-	-	15,482,255	15,482,255
Capital projects	-	76,728,664	84,845,225	1,343,159	162,917,048
Debt services	-	-	-	23,358,786	23,358,786
Total Restricted	9,034,086	76,728,664	84,845,225	40,272,011	210,879,986
<b>Committed</b>					
Deferred maintenance program	-	-	-	108,351	108,351
Capital projects	-	-	-	2,157,636	2,157,636
Total Committed	-	-	-	2,265,987	2,265,987
<b>Assigned</b>					
Board approved one-time reductions	21,500,000	-	-	-	21,500,000
Mid-year budget reductions	13,541,840	-	-	-	13,541,840
Site program balances	1,800,000	-	-	-	1,800,000
Other program balances	5,634,504	-	-	1,285,030	6,919,534
Total Assigned	42,476,344	-	-	1,285,030	43,761,374
<b>Unassigned</b>					
Reserve for economic uncertainties	34,093,990	-	-	-	34,093,990
Remaining unassigned	13,575,776	-	-	-	13,575,776
Total Unassigned	47,669,766	-	-	-	47,669,766
Total	\$ 100,313,053	\$ 76,728,664	\$ 84,845,225	\$ 44,235,694	\$ 306,122,636

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits 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 2010-2011, the District contributed \$6,492,173 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	1,114,313
Adjustment to annual required contribution	(966,777)
Annual OPEB cost (expense)	<u>12,997,457</u>
Contributions made	<u>(6,492,173)</u>
Increase in net OPEB obligation	6,505,284
Net OPEB obligation, beginning of year	<u>22,286,251</u>
Net OPEB obligation, end of year	<u><u>\$ 28,791,535</u></u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### 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	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 16,872,144	\$ 7,000,298	41%	\$ 18,814,813
2010	12,974,476	9,503,038	73%	22,286,251
2011	12,997,457	6,492,173	50%	28,791,535

### Funded Status and Funding Progress

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

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	0%	\$ 300,812,763	40%

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, 2011**

---

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, 2011, was 27 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.

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

	Workers' Compensation
Liability Balance, July 1, 2009	\$ 12,436,859
Claims and changes in estimates	10,479,567
Claims payments	(3,396,553)
Liability Balance, June 30, 2010	19,519,873
Claims and changes in estimates	6,705,209
Claims payments	(4,354,931)
Liability Balance, June 30, 2011	<u>\$ 21,870,151</u>
Assets available to pay claims at June 30, 2011	<u>\$ 22,838,619</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### 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.

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$19,342,606, \$18,018,459, and \$18,943,253, 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.



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$7,105,049, \$6,318,022, and \$6,274,292, 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 \$10,004,146 (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*.

## 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, 2011.

### Litigation

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

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

**Construction Commitments**

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
<b>Overcrowded Relief Program</b>		
Heninger Elementary	\$ 1,459,852	08/01/11
Sierra Intermediate	589,452	08/01/11
Spurgeon Intermediate	1,216,036	08/01/11
Santa Ana High	5,207,886	11/01/11
Century High	5,564,263	02/01/12
Davis Elementary	1,882,870	02/01/12
Edison Elementary	3,774,150	08/01/12
<b>Modernization Projects</b>		
Hoover Elementary	1,499,952	08/01/11
Jackson Elementary	689,566	08/01/11
MacArthur Elementary	2,649,188	08/01/11
Willard Intermediate	2,994,455	02/01/12
Saddleback High	9,979,240	08/01/12
Santa Ana High	9,412,969	09/01/12
<b>Emergency Repair Program</b>		
Hoover Elementary	66,422	08/01/11
Santa Ana High	2,033,456	08/01/12
<b>Career Technology Education Grant</b>		
Valley High	138,762	08/01/11
	<u>\$ 49,158,519</u>	

**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, 2011, the District made payments of \$1,698,197 and \$161,654 to ASCIP and SELF, respectively for property liability coverage.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

---

### 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 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), approximately 28 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.

### NOTE 18 - RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Certain item that occurred in the prior year net assets and fund balances have been restated as of June 30, 2011, to more accurately reflect the substance of the underlying transactions. The following table lists the reasons for the restatement.

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

#### Government-Wide Financial Statements

Net Assets - Beginning	\$ 535,089,195
Understatement of long-term obligations from QZAB's and General Obligation Bonds	<u>(9,518,999)</u>
Net Assets - Beginning as Restated	<u><u>\$ 525,570,196</u></u>

#### General Fund

Fund Balance - Beginning	\$ 93,841,351
Change in accounting principles to conform to GASB Statement No. 54	<u>9,517,280</u>
Fund Balance - Beginning as Restated	<u><u>\$ 103,358,631</u></u>

#### Non-Major Governmental Funds

Fund Balance - Beginning	\$ 51,379,814
Change in accounting principles to conform to GASB Statement No. 54	<u>(9,517,280)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 41,862,534</u></u>

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>(GAAP Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
				<b>Final</b>
				<b>to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 262,985,251	\$ 275,402,451	\$ 275,188,403	\$ (214,048)
Federal sources	65,729,887	106,314,213	79,805,175	(26,509,038)
Other State sources	111,262,292	114,856,689	124,820,238	9,963,549
Other local sources	7,810,577	8,824,143	9,647,651	823,508
<b>Total Revenues</b> <sup>1</sup>	<b>447,788,007</b>	<b>505,397,496</b>	<b>489,461,467</b>	<b>(15,936,029)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	240,096,745	243,421,528	239,305,324	4,116,204
Classified salaries	61,628,737	63,595,491	63,153,867	441,624
Employee benefits	97,640,946	98,700,822	108,796,563	(10,095,741)
Books and supplies	23,401,656	42,481,866	22,818,048	19,663,818
Services and operating expenditures	50,010,804	59,234,477	51,676,463	7,558,014
Other outgo	2,638,348	2,915,123	2,518,571	396,552
Capital outlay	761,332	1,770,140	1,290,526	479,614
Debt service - principal	-	-	719,272	(719,272)
Debt service - interest	132,164	1,009,128	575,329	433,799
<b>Total Expenditures</b> <sup>1</sup>	<b>476,310,732</b>	<b>513,128,575</b>	<b>490,853,963</b>	<b>22,274,612</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(28,522,725)</b>	<b>(7,731,079)</b>	<b>(1,392,496)</b>	<b>6,338,583</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	4,000,000	4,000,000
Transfers out	(6,772,263)	(6,390,517)	(5,653,082)	737,435
<b>Net Financing Sources (Uses)</b>	<b>(6,772,263)</b>	<b>(6,390,517)</b>	<b>(1,653,082)</b>	<b>4,737,435</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(35,294,988)</b>	<b>(14,121,596)</b>	<b>(3,045,578)</b>	<b>11,076,018</b>
<b>Fund Balances - Beginning as Restated</b>	<b>93,841,351</b>	<b>93,841,351</b>	<b>103,358,631</b>	<b>9,517,280</b>
<b>Fund Balances - Ending</b>	<b>\$ 58,546,363</b>	<b>\$ 79,719,755</b>	<b>\$ 100,313,053</b>	<b>\$ 20,593,298</b>

<sup>1</sup> On behalf payments of \$10,004,146 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

---

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
July 1, 2007	\$ -	\$ 139,206,929	\$ 139,206,929	0%	\$ 303,340,280	46%
July 1, 2009	-	119,052,495	119,052,495	0%	300,812,763	40%

---

---

***SUPPLEMENTARY INFORMATION***

---

---

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
American Recovery and Reinvestment Act (ARRA)			
ARRA State Fiscal Stabilization Fund	84.394	25008	\$ 6,140,226
Education Jobs Fund	84.410	25152	2,520,103
Readiness and Emergency Management for Schools			
Discretionary Grant Program	84.184E	[1]	95,814
No Child Left Behind Act (NCLB)			
Title I, Part A Cluster			
Title I, Part A - Low Income and Neglected	84.010	14329	19,208,292
ARRA: Title I, Part A - Low Income and Neglected	84.389	15005	7,566,899
Total Title I, Part A Cluster			<u>26,775,191</u>
Title I, Part B - Reading First	84.357A	14328	634,897
Title I, Part B (3) Even Start Family Literacy Program	84.213	14331	127,043
Title I, Part C - Even Start Migrant Education (MEES)	84.011	14768	38,279
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	308,030
School Improvement Grants Cluster			
		14971, 15123,	
Title I - School Improvement Grant for QEIA Schools	84.377	15124, 15127	4,232,983
ARRA Title I - School Improvement Grant for QEIA Schools	84.388	15124, 15127	7,177,695
Total School Improvement Grants Cluster			<u>11,410,678</u>
Title II, Part A - Improving Teacher Quality	84.367	14341	2,870,472
Education Technology State Grants Cluster			
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14334	103,172
Title II, Part D - Enhancing Education Through Technology Competitive Grant	84.318	14368	333,153
ARRA Title II, Part D - Enhancing Education Through Technology Competitive Grants	84.386	15126	591,035
Education Technology State Grants Cluster			<u>1,027,360</u>
Title III - Limited English Proficient Student Program	84.365	10084	2,860,432
Title IV, Part A - Drug-Free Schools Formula Grant	84.186	14347	156,053
Title IV, Part B, 21st Century Community Learning Centers	84.287	14788	3,841,097
After School Partnerships Demonstration Program	84.278N	[1]	508,673

[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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
Education of Homeless Children & Youth Cluster			
Title X - McKinney-Vento Homeless Assistance	84.196A	14332	\$ 137,897
ARRA: Title X - McKinney-Vento Homeless Assistance	84.387	15007	354,736
Total Education of Homeless Children & Youth Cluster			<u>492,633</u>
Special Education Cluster (IDEA)			
Local Assistance	84.027A	13379	9,657,418
ARRA: Local Assistance	84.391	15003	2,153,988
Preschool Local Entitlement	84.027A	13682	797,227
ARRA: Preschool Local Entitlement	84.392	15002	409,096
Federal Preschool	84.173A	13430	351,168
ARRA: Federal Preschool	84.392	15000	123,410
Pre-Kindergarten Staff Development	84.173A	13431	5,954
Alternative Dispute Resolution, Part B, Sec 611	84.027	13007	15,000
Total Special Education Cluster (IDEA)			<u>13,513,261</u>
Passed through CDE:			
Early Intervention Grants	84.181	23761	282,678
Carl D. Perkins Vocational and Technical Education Act			
Secondary Education	84.048	13924	457,124
Passed through Central County Regional Occupancy Program:			
Carl D. Perkins Vocational and Technical Education Act			
Post Secondary and Adult Education	84.048	13923	160,695
Passed through Rancho Santiago Community College District:			
Carl D. Perkins Vocational and Technical Education Act			
Tech Prep Consortium Project Agreement	84.243	13929	7,000
California State Gear-Up Program	84.334A	10088	80,481
Passed through Regents of the University of California, Irvine:			
California State Gear-Up Program	84.334A	10088	386,496
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	263,143
ARRA: Vocational Rehabilitation Grant	84.390A	[1]	26,047
Total U.S. Department of Education			<u>74,983,906</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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	\$ 18,784,725
Especially Needy Breakfast Program	10.553	13390	4,401,175
Meal Supplements	10.555	13666	643,513
Commodities	10.555	13389	1,368,301
Seamless Summer Feeding Program	10.559	13004	1,110,462
Total Child Nutrition Cluster			<u>26,308,176</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	1,172,556
Child Nutrition: Equipment Assistance Grants	10.579	14906	152,183
Child Care Food	10.558	13393	1,018,143
Total U.S. Department of Agriculture			<u>28,651,058</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medicaid Cluster			
Medical Billing Option	93.778	10013	1,385,017
Medical Administrative Activities	93.778	10060	1,059,853
Total Medicaid Cluster			<u>2,444,870</u>
Early Retiree Reinsurance Program	93.546	[1]	304,036
Passed through CDE:			
Child Development, Quality Improvement	93.575	13979	2,502
Head Start	93.600	10016	2,549,917
ARRA: Head Start, Quality Improvement	93.708	10016	68,007
Total Head Start Cluster			<u>2,620,426</u>
Child Nutrition, Nutrition Education	10.574	02151	639,959
Total U.S. Department of Health and Human Services			<u>6,009,291</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through Regents of the University of California, Irvine:			
Faculty Outreach Collaborations Uniting Scientists, Students, and Schools (FOCUS)	47.076	[1]	175,245
<b>U.S. DEPARTMENT OF EMPLOYMENT DEVELOPMENT</b>			
Passed through CDE:			
Workforce Investment Act	17.259	10055	209,869
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior Reserve Officer Training Corps	12.000	[1]	201,772
Total Expenditures of Federal Awards			<u>\$110,231,141</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, 2011

---

### 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>
José Alfredo Hernández, J.D.	President	2014
Rob Richardson	Vice President	2012
Audrey Yamagata-Noji, Ph.D.	Clerk	2014
John Palacio	Member	2014
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

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

	Amended Second Period Report	Amended Annual Report
<b>ELEMENTARY</b>		
Kindergarten	4,131	4,136
First through third	12,581	12,574
Fourth through sixth	11,559	11,553
Seventh and eighth	7,245	7,221
Home and hospital	7	6
Special education	1,347	1,365
Community day schools	119	99
Total Elementary	36,989	36,954
<b>SECONDARY</b>		
Regular classes	13,550	13,433
Continuation education	519	523
Home and hospital	12	16
Special education	641	634
Community day schools	40	45
Total Secondary	14,762	14,651
Total K-12	51,751	51,605

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

Grade Level	1982-83	Reduced	1986-87	Reduced	2010-11	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	31,680	30,800	36,000	35,000	35,823	180	-	Complied
Grades 1 - 3	42,240	41,067	50,400	49,000				
Grade 1					49,859	180	-	Complied
Grade 2					49,859	180	-	Complied
Grade 3					49,859	180	-	Complied
Grades 4 - 6	52,800	51,333	54,000	52,500				
Grade 4					53,760	180	-	Complied
Grade 5					53,760	180	-	Complied
Grade 6					53,760	180	-	Complied
Grades 7 - 8	52,800	51,333	54,000	52,500				
Grade 7					54,405	180	-	Complied
Grade 8					54,405	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, 2011

---

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

	<u>Internal Service Fund</u>
NET ASSETS	
Balance, June 30, 2011, Unaudited Actuals	\$ 1,926,945
Increase in:	
Prepaid expenditures	115,661
Claims liability	<u>(1,662,767)</u>
Balance, June 30, 2011, Audited Financial Statement	<u>\$ 379,839</u>

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

	(Budget) 2012 <sup>1</sup>	2011	2010	2009
<b>GENERAL FUND</b> <sup>5</sup>				
Revenues	\$ 457,830,649	\$ 489,402,972	\$ 476,720,913	\$ 504,350,304
Other sources	-	-	6,427,597	582,978
<b>Total Revenues and Other Sources</b>	<b>457,830,649</b>	<b>489,402,972</b>	<b>483,148,510</b>	<b>504,933,282</b>
Expenditures	480,985,716	490,853,963	460,578,560	482,047,821
Other uses and transfers out	5,517,755	5,653,082	10,528,396	4,641,132
<b>Total Expenditures and Other Uses</b>	<b>486,503,471</b>	<b>496,507,045</b>	<b>471,106,956</b>	<b>486,688,953</b>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (28,672,822)</b>	<b>\$ (7,104,073)</b>	<b>\$ 12,041,554</b>	<b>\$ 18,244,329</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 58,064,456</b>	<b>\$ 86,737,278</b>	<b>\$ 93,841,351</b>	<b>\$ 81,799,797</b>
<b>AVAILABLE RESERVES</b> <sup>2</sup>	<b>\$ 26,143,841</b>	<b>\$ 47,669,766</b>	<b>\$ 46,084,727</b>	<b>\$ 49,068,239</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b> <sup>3</sup>	<b>5.37%</b>	<b>9.80%</b>	<b>9.99%</b>	<b>10.31%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>N/A</b>	<b>\$ 470,619,198</b>	<b>\$ 420,753,471</b>	<b>\$ 352,230,139</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b> <sup>4</sup>	<b>51,421</b>	<b>51,751</b>	<b>52,064</b>	<b>52,626</b>

The General Fund balance has increased by \$4,937,481 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$28,672,822 (33.1 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 and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have increased by \$118,389,059 over the past two years.

Average daily attendance has decreased by 875 over the past two years. An additional decrease of 330 ADA is anticipated during fiscal year 2011-2012.

<sup>1</sup> Budget 2012 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$10,004,146, \$9,610,605 and \$10,695,837 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009, respectively.

<sup>4</sup> Excludes adult education and ROP ADA.

<sup>5</sup> General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Non-Capital Fund, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

---

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
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, 2011**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>					
Deposits and investments	\$ 25,000	\$ 72,405	\$ 11,648,671	\$ 238,216	\$ 333,453
Receivables	-	177,272	7,795,991	1,318	64,284
Due from other funds	-	1,573	56,490	2,525	1,066,994
Stores inventories	-	-	410,792	-	-
<b>Total Assets</b>	<b>\$ 25,000</b>	<b>\$ 251,250</b>	<b>\$ 19,911,944</b>	<b>\$ 242,059</b>	<b>\$ 1,464,731</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 66,565	\$ 2,007,874	\$ 133,708	\$ 102,789
Due to other funds	25,000	96,874	2,009,149	-	18,783
<b>Total Liabilities</b>	<b>25,000</b>	<b>163,439</b>	<b>4,017,023</b>	<b>133,708</b>	<b>121,572</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	412,666	-	-
Restricted	-	87,811	15,482,255	-	1,343,159
Committed	-	-	-	108,351	-
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>87,811</b>	<b>15,894,921</b>	<b>108,351</b>	<b>1,343,159</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,000</b>	<b>\$ 251,250</b>	<b>\$ 19,911,944</b>	<b>\$ 242,059</b>	<b>\$ 1,464,731</b>

See accompanying note to supplementary information.

<b>Special Reserve</b>					
<b>Fund For</b>	<b>Capital Projects</b>	<b>Bond Interest</b>	<b>Debt Service</b>	<b>Total Non-Major</b>	
<b>Capital Outlay</b>	<b>Fund for Blended</b>	<b>and Redemption</b>	<b>Fund</b>	<b>Governmental</b>	
<b>Projects</b>	<b>Component Units</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	
\$ 1,100,575	\$ 2,165,592	\$ 16,525,957	\$ 6,832,829	\$ 38,942,698	
1,522	1,669	-	-	8,042,056	
611,580	-	-	-	1,739,162	
-	-	-	-	410,792	
<u>\$ 1,713,677</u>	<u>\$ 2,167,261</u>	<u>\$ 16,525,957</u>	<u>\$ 6,832,829</u>	<u>\$ 49,134,708</u>	
\$ 246,717	\$ 8,850	\$ -	\$ -	\$ 2,566,503	
181,930	775	-	-	2,332,511	
428,647	9,625	-	-	4,899,014	
-	-	-	-	412,666	
-	-	16,525,957	6,832,829	40,272,011	
-	2,157,636	-	-	2,265,987	
1,285,030	-	-	-	1,285,030	
<u>1,285,030</u>	<u>2,157,636</u>	<u>16,525,957</u>	<u>6,832,829</u>	<u>44,235,694</u>	
<u>\$ 1,713,677</u>	<u>\$ 2,167,261</u>	<u>\$ 16,525,957</u>	<u>\$ 6,832,829</u>	<u>\$ 49,134,708</u>	

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund For Other Than Capital Outlay Projects</b>
<b>REVENUES</b>				
Federal sources	\$ 2,502	\$ 27,478,502	\$ -	\$ -
Other State sources	1,517,353	2,213,855	-	-
Other local sources	5,314	3,217,316	1,871	-
<b>Total Revenues</b>	<u>1,525,169</u>	<u>32,909,673</u>	<u>1,871</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,203,850	-	-	-
Instruction-related activities:				
Supervision of instruction	206,598	-	-	-
School site administration	81,391	-	-	-
Pupil services:				
Food services	-	28,135,690	-	-
All other pupil services	164,733	-	-	-
Administration:				
All other administration	51,224	862,838	-	-
Plant services	-	1,055,240	1,532,427	-
Facility acquisition and construction	-	21,802	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>1,707,796</u>	<u>30,075,570</u>	<u>1,532,427</u>	<u>-</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>(182,627)</u>	<u>2,834,103</u>	<u>(1,530,556)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,532,711	-
Other sources - proceeds from bond issuance	-	-	-	-
Other uses - payment to escrow agent	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>1,532,711</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(182,627)</u>	<u>2,834,103</u>	<u>2,155</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	270,438	13,060,818	106,196	9,517,280
<b>Restatement</b>	-	-	-	(9,517,280)
<b>Fund Balances - Ending</b>	<u>\$ 87,811</u>	<u>\$ 15,894,921</u>	<u>\$ 108,351</u>	<u>\$ -</u>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,481,004
-	637,249	-	94,442	-	4,462,899
1,065,751	111,617	133,869	17,718,418	239,469	22,493,625
1,065,751	748,866	133,869	17,812,860	239,469	54,437,528
-	-	-	-	-	1,203,850
-	-	-	-	-	206,598
-	-	-	-	-	81,391
-	-	-	-	-	28,135,690
-	-	-	-	-	164,733
78,577	-	-	-	-	992,639
75,165	1,404,192	1,688	-	-	4,068,712
111,313	1,389,456	314,343	-	-	1,836,914
-	-	-	8,750,000	2,240,885	10,990,885
-	-	270	10,595,148	1,682,390	12,277,808
265,055	2,793,648	316,301	19,345,148	3,923,275	59,959,220
800,696	(2,044,782)	(182,432)	(1,532,288)	(3,683,806)	(5,521,692)
-	-	-	-	3,816,336	5,349,047
-	-	-	15,571,732	-	15,571,732
-	-	-	(13,025,927)	-	(13,025,927)
-	-	-	2,545,805	3,816,336	7,894,852
800,696	(2,044,782)	(182,432)	1,013,517	132,530	2,373,160
542,463	3,329,812	2,340,068	15,512,440	6,700,299	51,379,814
-	-	-	-	-	(9,517,280)
\$ 1,343,159	\$ 1,285,030	\$ 2,157,636	\$ 16,525,957	\$ 6,832,829	\$ 44,235,694

**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, 2011**

(Amounts in thousands)	Actual Results for the Years					
	2010-2011		2009-2010		2008-2009	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 79,805	16.3	\$ 70,876	14.9	\$ 72,598	14.4
State and local revenue included in revenue limit	275,188	56.2	265,392	55.6	303,242	60.1
Other State revenue	124,821	25.5	130,590	27.4	119,000	23.6
Other local revenue	5,815	1.2	6,219	1.3	4,563	0.9
Tuition and transfers in	3,774	0.8	3,644	0.8	4,947	1.0
<b>Total Revenues</b>	<b>489,403</b>	<b>100.0</b>	<b>476,721</b>	<b>100.0</b>	<b>504,350</b>	<b>100.0</b>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	239,305	48.9	233,726	49.0	243,810	48.3
Classified salaries	63,154	12.9	60,520	12.7	62,371	12.4
Employee benefits	108,797	22.2	96,920	20.3	104,480	20.7
<b>Total Salaries and Benefits</b>	<b>411,256</b>	<b>84.0</b>	<b>391,166</b>	<b>82.0</b>	<b>410,661</b>	<b>81.4</b>
Books and supplies	22,818	4.6	15,831	3.3	16,383	3.2
Contracts and operating expenses	51,676	10.6	50,137	10.5	52,387	10.4
Capital outlay	1,291	0.3	467	0.0	257	0.0
Other outgo	3,813	0.8	2,978	0.6	2,360	0.5
<b>Total Expenditures</b>	<b>490,854</b>	<b>100.3</b>	<b>460,579</b>	<b>96.4</b>	<b>482,048</b>	<b>95.5</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,451)</b>	<b>(0.3)</b>	<b>16,142</b>	<b>3.6</b>	<b>22,302</b>	<b>4.5</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(5,653)	(1.2)	(9,129)	(2.0)	-	-
Other sources	-	-	5,028	1.1	(4,058)	(0.8)
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(7,104)</b>	<b>(1.5)</b>	<b>12,041</b>	<b>2.7</b>	<b>18,244</b>	<b>3.7</b>
<b>FUND BALANCE, BEGINNING</b>	<b>93,841</b>		<b>81,800</b>		<b>63,556</b>	
<b>FUND BALANCE, ENDING</b>	<b>\$ 86,737</b>		<b>\$ 93,841</b>		<b>\$ 81,800</b>	

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

---

**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA State Fiscal Stabilization Fund that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2011. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 107,286,179
ARRA State Fiscal Stabilization Fund	84.394	3,667,234
Medi-Cal Billing Option	93.778	(722,272)
Total Schedule of Expenditures of Federal Awards		<u>\$ 110,231,141</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, 2011

---

### **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 Balances**

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

### **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, 2011, which collectively comprise Santa Ana Unified School District's basic financial statements and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of Santa Ana Unified School District is responsible for establishing and maintaining effective 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 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 7, 2011.

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.

VW RINEK, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
December 7, 2011



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

Governing Board  
Santa Ana Unified School District  
Santa Ana, California

**Compliance**

We have audited Santa Ana Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Ana Unified School District's major Federal programs for the year ended June 30, 2011. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.



## 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to 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 finding identified in our audit is 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 the response.

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.

VAJ RINEX, TRINS, DJ + CO, U)

Rancho Cucamonga, California  
December 7, 2011



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Santa Ana Unified School District  
 Santa Ana, California

We have audited Santa Ana Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Santa Ana Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 opinions. 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 are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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:

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
<b>Instructional Materials:</b>		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
<b>Class Size Reduction Program (including in Charter Schools):</b>		
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
<b>After School Education and Safety Program:</b>		
General requirements	4	Yes
After school	4	Yes
Before school	5	Yes
<b>Charter Schools:</b>		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

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

VAJIZINE, TRINIA M + W. LUP

Rancho Cucamonga, California  
December 7, 2011

---

---

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

---

---

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

---

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<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>School Improvement Grants Cluster</u>
<u>84.377, 84.388 (ARRA)</u>	<u>(including ARRA)</u>
	<u>Education Technology State Grants Cluster</u>
<u>84.318, 84.386 (ARRA)</u>	<u>(including ARRA)</u>
	<u>Education of Homeless Children &amp; Youth Cluster</u>
<u>84.196A, 84.387 (ARRA)</u>	<u>(including ARRA)</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization Fund</u>
<u>84.410</u>	<u>Education Jobs Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,306,934</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

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, 2011**

---

None reported

# SANTA ANA UNIFIED SCHOOL DISTRICT

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

---

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

### **2011-1 50000**

Title I, Part A; CFDA: 84.010 and 84.389 (ARRA)  
Title I, School Improvement Grant; CFDA: 84.377 and 84.388 (ARRA)  
Title II, Part D; CFDA: 84.318 and 84.386 (ARRA)  
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 Requirements**

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**

The District's current process does not sufficiently comply with OMB Circular A-133 with respect to the requirements specific to Procurement and Suspension and Debarment. Sufficient monitoring of the process appears to be lacking to ensure compliance in this area.

#### **Questioned Costs**

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, 2011

---

### **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, the 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 contracting with them.

### **District Response**

Beginning January 1, 2011 staff began verifying vendors for suspension and debarment status through the Excluded Parties List System when they are newly created in Oracle or when a new contract is issued through the public bidding process. The federal requirement is that all vendors who may receive over \$25,000 in orders using federal funding must be verified through the Excluded Parties List System for suspension and debarment. The corrective action that will be taken to address this issue will be the following;

- Based on the prior year's vendor records, all vendors who received more than \$25,000 in orders from the District will be verified through the Excluded Parties List System at the beginning of each fiscal year.
- All new vendors and all vendors receiving new contracts from the District through the competitive bidding process will continue to be verified through the Excluded Parties List System.
- Language will be added to all District PO's stating that acceptance of the purchase order by the vendor serves as an acknowledgement that the vendor is not listed in the federal suspension and debarment database as an excluded vendor.
- Staff will continue working on an automated process for vendor verification through the Excluded Parties List System for all active vendors in Oracle.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

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

---

None reported.

# SANTA ANA UNIFIED SCHOOL DISTRICT

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

---

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

### *Financial Statement Findings*

None Reported

### *Federal Award Findings*

<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.

# SANTA ANA UNIFIED SCHOOL DISTRICT

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

---

### **Context**

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

### **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 contracting with them.

### **Current Status**

Not implemented. See current year finding 2011-1.

### ***State Award Findings***

None Reported



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, 2011, 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 7, 2011, on the basic financial statements of Santa Ana Unified School District.

*ASSOCIATED STUDENT BODY (ASB)*

*Carr Intermediate*

Observations

During our audit of the ASB's internal controls, we noted the following issues:

1. Deposits are not being made timely. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the cash.
2. Eight of eleven expenditures reviewed did not have the required three signatures of approval.
3. Six of eleven expenditures reviewed were not pre-approved by the student council.
4. Five of eleven expenditures reviewed lacked receiving documentation.
5. Revenue potential forms are not being prepared for fundraising events.
6. A perpetual inventory and sales logs were not maintained.

Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Governing Board  
Santa Ana Unified School District

2. The site should ensure that all club members, teachers and advisors do not obligate ASB funds until a purchase order is prepared and approved by the student body representative, advisor and site administrator. All required disbursement authorization forms and pre-approvals must be obtained before any expense is incurred. The site should also check that adequate funds are available before any ASB funds are obligated to ensure that deficit spending does not occur. These procedures should also be implemented for purchases made for the upcoming school year when school is not in session.
3. 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 does not occur, and that items being purchased are student approved items.
4. Prior to making a payment, an invoice should be accompanied by a signed receiving documentation when applicable. This ensures that the ASB received all of the items ordered and all merchandise was received prior to paying for the order. In the event receiving documentation is not available, proper written documentation should be provided by the ASB advisor or the student council to ensure that all the goods were received. Such documentation should include when the goods were received, if all the goods were received and who received the goods. Once proper documentation has been provided, it should be forwarded to the ASB bookkeeper to be kept on file. This allows the bookkeeper to ensure that all the merchandise was received prior to paying for the order.
5. 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.
6. In order to prevent the loss or the misappropriation of assets, the site should maintain a perpetual inventory and sales log. Site should also reconcile the physical inventory count to a perpetual inventory. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.

*Santa Ana High School*

Observations

1. Deposits are not being made timely. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the cash.
2. One of fifteen expenditures reviewed lacked supporting documentation like receipts or invoices.
3. Four of fifteen expenditures reviewed were not pre-approved by the student council.



Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. 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.
3. 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 does not occur, and that items being purchased are student approved items.

*Cesar Chavez High School*

Observations

1. Deposits are not being made timely. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the cash.
2. One of nine expenditures reviewed lacked supporting documentation like receipts or invoices.
3. Two of nine expenditures reviewed were not pre-approved by the site's principal.

Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. 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.
3. All expenditures, prior to the items being purchased, should be approved by the site's principal to ensure that the proper funding is available. This will ensure that deficit spending does not occur, and that items being purchased are student approved items.

*Bank Reconciliation Review*

Observation

The District does appear to have a review procedure in place for the ASB bank reconciliation.

Recommendation

The District should establish procedures to ensure the accuracy and completeness of the reconciliation process. A key control in the reconciliation process is assigning an independent person to be responsible for reviewing the bank reconciliation prepared by staff. The District should ensure that all monthly bank reconciliations are reviewed by someone other than the preparer. In addition, the bank reconciliation should show the signature and date of both the preparer and reviewer.

Governing Board  
Santa Ana Unified School District

District Response

Business Services continues to stay committed to staff development and training in the area of ASB and cash management. The District routinely provides presentations, learning material, and guidelines for District and site personal. Business Services has provided staff training in-house, at management meetings, and regularly conducts one on one site visits. In an effort to provide additional assistance the District has newly adopted the "train the trainee model". In cooperation with the School Business Services Management Program for Site Professionals the site Administrators have been trained in all areas of cash management and District cash procedures. Administrators have also been assigned the task of training site staff who may handle cash in the importance of internal controls and adequate cash management procedures. The District will continue to find new innovative ways for staff development in effort to master best practices as recommended by the California Department of Education and Fiscal Crisis & Management Assistance Team (FCMAT).

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

VAD RINE, TRINE, DRY & CO. LLP

Rancho Cucamonga, California  
December 7, 2011