

SANTA ANA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

SANTA ANA UNIFIED SCHOOL DISTRICT

OF ORANGE COUNTY

SANTA ANA, CALIFORNIA

JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jose Alfredo Hernandez, J.D.	President	2012
Rob Richardson	Vice President	2012
Audrey Yamagata-Noji, Ph.D.	Clerk	2010
John Palacio	Member	2010
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ADMINISTRATION

Jane A. Russo	Superintendent
Cathie Olsky, Ed.D.	Deputy Superintendent
Juan M. Lopez	Associate Superintendent, Human Resources
Ronald Murrey	Interim Associate Superintendent, Business Services
Herman Mendez	Assistant Superintendent, Elementary Education
Alexander Ayala	Assistant Superintendent, Secondary Education
Doreen Lohnes	Assistant Superintendent, Support Services
Joe Dixon	Assistant Superintendent, Facilities/Government Relations
Angela Burrell	Public Information Officer

SANTA ANA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 2, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 59 and 60, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, the Combining Statements – Non-Major Governmental Funds and the General Fund Selected Financial Information 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.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009



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, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

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

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

The Primary unit of the government is the Santa Ana Unified School District.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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, 2009

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 *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$518 million for the fiscal year ended June 30, 2009, reflecting an increase of 6.9 percent since June 30, 2008. Of this amount, \$47.9 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.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2009

Table 1

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 293,454,323	\$ 185,403,781
Capital assets	632,311,679	579,107,345
Total Assets	925,766,002	764,511,126
Liabilities		
Current liabilities	80,857,290	67,116,639
Long-term obligations	326,883,630	212,618,111
Total Liabilities	407,740,920	279,734,750
Net Assets		
Invested in capital assets, net of related debt	383,137,211	367,979,813
Restricted	86,986,008	80,533,774
Unrestricted	47,901,863	36,262,789
Total Net Assets	\$ 518,025,082	\$ 484,776,376

The \$47.9 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 and enacted budget reductions.

Changes in Net Assets

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

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2009

Table 2

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 5,192,323	\$ 5,726,753
Operating grants and contributions	174,050,072	176,417,401
Capital grants and contributions	37,375,852	182,353
General revenues:		
Federal and State aid not restricted	237,212,135	247,892,675
Property taxes	106,176,256	104,038,873
Other general revenues	42,358,181	44,771,085
Total Revenues	602,364,819	579,029,140
Expenses		
Instruction	342,569,269	337,546,859
Instruction-related	66,004,617	87,590,630
Student support services	56,216,042	53,454,083
Administration	20,930,268	21,821,577
Plant services	52,157,057	54,955,572
Interest on long-term obligations	15,212,955	11,160,827
Other	16,025,905	25,895,211
Total Expenses	569,116,113	592,424,759
Change in Net Assets	\$ 33,248,706	\$ (13,395,619)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$569.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$106 million because the cost was paid by those who benefited from the programs (\$5.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$174.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$106 million in taxes, \$237.2 million in State funds, and with other revenues, like interest and general entitlements.

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$ 342,569,269	\$ 337,546,859	\$ 209,910,285	\$ 240,814,741
Instruction-related	66,004,617	87,590,630	32,851,474	47,612,340
Student support services	56,216,042	53,454,083	17,103,025	23,495,863
Administration	20,930,268	21,821,577	16,978,964	17,042,488
Plant services	52,157,057	54,955,572	47,072,319	49,799,434
Interest on long-term obligations	15,212,955	11,160,827	15,212,955	11,160,827
Other	16,025,905	25,895,211	13,368,844	20,172,559
Total	\$ 569,116,113	\$ 592,424,759	\$ 352,497,866	\$ 410,098,252

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$214.4 million, which is an increase of \$100 million from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2008	Revenues	Expenditures	June 30, 2009
General Fund	\$ 63,555,468	\$ 504,933,282	\$ 486,688,953	\$ 81,799,797
Building Fund	-	103,181,290	39,891,580	63,289,710
County School Facilities Fund	-	37,375,854	13,681,131	23,694,723
Non-Major Governmental Funds	50,810,111	62,393,316	67,533,318	45,670,109
Total	\$ 114,365,579	\$ 707,883,742	\$ 607,794,982	\$ 214,454,339

The primary reasons for these increases/decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased by \$18.2 million to \$81.8 million. This increase is due to:
 1. Federal Stimulus Funds American Recovery Reinvestment Act (ARRA),
 2. Enacted budget reductions,
- b. Our Building Fund increased by \$63.3 million due in large part because of the issuance of the General Obligation Bond Series A.
- c. Our County School Facilities Fund increased by \$23.7 million due in large part to the receipt of State matching funds for Critically Over Crowded Schools.
- d. The Non-Major Funds showed a decrease of approximately \$5.1 million due in large part an increase in expenditures in the Special Reserve Fund for Capital Outlay Projects by \$4.6 million.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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 26. (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 59).

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

- State action: Due to deteriorating national and state economies, the State was forced to reduce education funding throughout the fiscal year.
- Additionally, \$13 million in State Revenue Limit cuts for the District, originally planned for 2008-09, was legislatively moved after the end of the fiscal year to 2009-10.
- District implemented a mid-year freeze and required additional justifications and approvals on expenditures and positions.
- Re-allocation of categorical program carryover from the prior year.

The 2008-09 fiscal year was an extremely challenging one for the State and the District. Due to shortfalls in State revenue collections, the State reduced education funding throughout the fiscal year. Additionally, in an effort to balance the State budget, the State (after the fiscal year had ended), legislatively moved \$13 million in State Revenue Limit cuts from 2008-09 to 2009-10.

To partially address State funding reductions, the District implemented a mid-year freeze on expenditures and positions. In addition to normal manager approval of expenditures and positions, review and approval by District office staff (including senior management) was mandated.

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, 2009, the District had \$632.3 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 \$53.2 million, or 9.2 percent, from last year (Table 5).

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Table 5

	Governmental Activities	
	2009	2008
Land and construction in progress	\$ 187,625,790	\$ 241,409,847
Buildings and improvements	437,968,663	330,947,464
Furniture and equipment	6,717,226	6,750,034
Total	\$ 632,311,679	\$ 579,107,345

This year's additions of \$180.5 million included several completed construction projects (District Relocation Project, Heroes Elementary, and Valley High School Modernization Project), other modernization projects, vehicles and classroom equipment. The District will use the General Obligation Bonds Series A proceeds for construction and modernization of existing school facilities.

Several capital projects are planned for the 2009-2010 year. We anticipate capital additions to be \$50 million for the 2009-2010 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$339.8 million in debt outstanding versus \$222.7 million last year, an increase of 52.6 percent. The obligations consisted of:

Table 6

	Governmental Activities	
	2009	2008
General obligation bonds (financed with property taxes)	\$ 240,710,811	\$ 138,219,703
Certificates of participation	63,796,308	65,576,843
Qualified zone academy bonds	6,161,994	6,787,987
Capitalized lease obligations	155,005	542,999
Compensated absences	490,972	695,404
Supplemental employment retirement plan	9,663,436	1,838,173
Other postemployment benefits	18,814,813	8,942,967
Other	-	61,242
Total	\$ 339,793,339	\$ 222,665,318

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 \$240.7 million is significantly below this \$1.1 billion statutorily-imposed limit.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 8 of the financial statements.

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

- The District continues to provide our students a quality academic program with four of the top 10 most improved Orange County Schools (of 594) – Esqueda, King, Remington, and Taft Elementary.
- 115 point Academic Performance Index improvement since 2002.
- There was a 4 percent increase in the high school graduation rate of 83.8 percent (while the rest of the State is declining).

These accomplishments were achieved while implementing necessary budget reductions totaling \$108 million over the past five years in order to maintain the District's fiscal stability.

- Out of nine Orange County schools that exited Program Improvement six were Santa Ana Unified schools (Heninger, King, Jackson, Martin, Remington, and Washington).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-2010 year, the governing board and management used the following criteria:

The key revenue forecast assumptions are as follows:

- (1) The budget was initially based on the "May Revise", which represents the Governor's final recommended budget to our State Legislature, and later revised based on the State Approved budget. The key components of the State Approved Budget include:
 - (a) Revenue Limit deficit of 18.355 percent
 - (b) 4.5 percent reduction in State Tier II and Tier III categorical program funding
 - (c) 19.84 percent reduction in Home-to-School and Special Education Transportation funding
 - (d) No equalization funding
 - (e) No funding for mandate claims
- (2) The District's major source of income is from the Revenue Limit. Since the 2003-04 fiscal year, the District has been experiencing declining enrollment in excess of 1,000 students with losses peaking at 2,300+ students in 2005-06. In 2007-08, the District's loss was considerably lower at 470 students and in 2008-09 the District experienced a gain of 215 students. For 2009-10, the District is assuming a decline in student enrollment of 500 students based on the most recent student enrollment projections.

SANTA ANA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Expenditures were based on the following:

(1) Staffing ratios:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	31:1	4,341
Grade one	23:1	4,811
Grade two	24:1	4,460
Grade three	30:1	4,296
Grades four through five	34:1	8,383
Grades six through eight	33.5:1	12,134
Grades nine through twelve	33.5:1	15,662

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322, or e-mail at ron.murrey@sausd.us.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Governmental Activities
ASSETS	
Deposits and investments	\$ 205,243,042
Receivables	81,575,404
Prepaid expenses	130,694
Deferred charges	2,019,441
Stores inventories	1,184,805
Restricted assets, investments	3,300,937
Capital assets	
Land and construction in process	187,625,790
Other capital assets	565,056,434
Less: accumulated depreciation	(120,370,545)
Total Capital Assets	<u>632,311,679</u>
Total Assets	<u><u>925,766,002</u></u>
LIABILITIES	
Accounts payable	36,377,254
Interest payable	6,571,413
Deferred revenue	12,562,055
Claims liability	12,436,859
Long-term obligations	
Current portion of long-term obligations	12,813,048
Noncurrent portion of long-term obligations	326,980,291
Total Long-Term Obligations	<u>339,793,339</u>
Total Liabilities	<u><u>407,740,920</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	383,137,211
Restricted for:	
Debt service	11,762,781
Capital projects	32,439,252
Educational programs	32,113,692
Other activities	10,670,283
Unrestricted	47,901,863
Total Net Assets	<u><u>\$ 518,025,082</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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 342,569,269	\$ 693,072	\$ 94,590,060	\$ 37,375,852	\$ (209,910,285)
Instruction-related activities:					
Supervision of instruction	30,934,204	53,886	25,952,538	-	(4,927,780)
Instructional library, media, and technology	3,408,130	17,966	2,136,800	-	(1,253,364)
School site administration	31,662,283	11,336	4,980,617	-	(26,670,330)
Pupil services:					
Home-to-school transportation	8,042,995	-	2,252,166	-	(5,790,829)
Food services	26,341,077	3,869,732	22,119,635	-	(351,710)
All other pupil services	21,831,970	87,474	10,784,010	-	(10,960,486)
Administration:					
Data processing	3,797,580	-	-	-	(3,797,580)
All other administration	17,132,688	135,941	3,815,363	-	(13,181,384)
Plant services	52,157,057	174,385	4,910,353	-	(47,072,319)
Facility acquisition and construction	3,351,291	-	-	-	(3,351,291)
Ancillary services	4,227,469	198	2,805	-	(4,224,466)
Enterprise services	16,543	-	-	-	(16,543)
Interest on long-term obligations	15,212,955	-	-	-	(15,212,955)
Other outgo	8,430,602	148,333	2,505,725	-	(5,776,544)
Total Governmental Activities	\$ 569,116,113	\$ 5,192,323	\$ 174,050,072	\$ 37,375,852	(352,497,866)
General revenues and subventions:					
					96,055,562
Property taxes, levied for general purposes					9,691,121
Property taxes, levied for debt service					429,573
Taxes levied for other specific purposes					237,212,135
Federal and State aid not restricted to specific purposes					3,602,374
Interest and investment earnings					38,755,807
Miscellaneous					
					385,746,572
					Subtotal, General Revenues
Change in Net Assets					33,248,706
Net Assets - Beginning					484,776,376
Net Assets - Ending					\$ 518,025,082

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

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 34,970,867	\$ 61,649,650	\$ 39,065,230
Receivables	76,840,890	84,687	34,141
Due from other funds	6,111,107	13,074,401	207,563
Prepaid expenditures	130,694	-	-
Stores inventories	787,095	-	-
Restricted assets, investments	-	-	-
Total Assets	\$ 118,840,653	\$ 74,808,738	\$ 39,306,934
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,322,856	\$ 10,978,382	\$ 1,996,462
Due to other funds	3,393,493	540,646	13,615,749
Deferred revenue	12,324,507	-	-
Total Liabilities	37,040,856	11,519,028	15,612,211
Fund Balances:			
Reserved for:			
Revolving cash	150,000	-	-
Stores inventories	787,095	-	-
Prepaid expenditures	130,694	-	-
Legally restricted balances	32,113,692	-	-
Unreserved:			
Designated	48,618,316	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	63,289,710	23,694,723
Total Fund Balance	81,799,797	63,289,710	23,694,723
Total Liabilities and Fund Balances	\$ 118,840,653	\$ 74,808,738	\$ 39,306,934

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

Non Major Governmental Funds	Total Governmental Funds
\$ 43,888,214	\$ 179,573,961
4,587,288	81,547,006
1,855,934	21,249,005
-	130,694
397,710	1,184,805
3,300,937	3,300,937
<u>\$ 54,030,083</u>	<u>\$ 286,986,408</u>

\$ 1,794,059	\$ 36,091,759
6,328,367	23,878,255
237,548	12,562,055
<u>8,359,974</u>	<u>72,532,069</u>

4,661	154,661
397,710	1,184,805
-	130,694
-	32,113,692
9,158,792	57,777,108
10,670,283	10,670,283
18,334,194	18,334,194
7,104,469	94,088,902
<u>45,670,109</u>	<u>214,454,339</u>
<u>\$ 54,030,083</u>	<u>\$ 286,986,408</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 214,454,339
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 752,682,224	
Accumulated depreciation is	<u>(120,370,545)</u>	
Net Capital Assets		632,311,679
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		2,019,441
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.		(6,571,413)
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.		15,604,375
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	240,710,811	
Certificates of participation payable	63,796,308	
Qualified zone academy bonds	6,161,994	
Capital leases payable	155,005	
Compensated absences	490,972	
Other long-term obligations	9,663,436	
Other postemployment benefits	<u>18,814,813</u>	
Total Long-Term Obligations		(339,793,339)
Total Net Assets - Governmental Activities		<u>\$ 518,025,082</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 303,242,202	\$ -	\$ -
Federal sources	72,597,614	-	-
Other State sources	119,000,559	-	37,282,053
Other local sources	9,509,929	1,614,501	93,801
Total Revenues	504,350,304	1,614,501	37,375,854
EXPENDITURES			
Current			
Instruction	320,540,366	-	-
Instruction-related activities:			
Supervision of instruction	29,003,334	-	-
Instructional library, media and technology	3,341,241	-	-
School site administration	30,750,652	-	-
Pupil services:			
Home-to-school transportation	8,040,338	-	-
Food services	-	-	-
All other pupil services	20,293,861	-	-
Administration:			
Data processing	3,821,265	-	-
All other administration	13,793,861	-	-
Plant services	44,916,062	1,471,046	3,358
Facility acquisition and construction	38,672	38,420,534	13,677,773
Ancillary services	4,152,022	-	-
Other outgo	3,206,492	-	-
Debt service			
Principal	61,262	-	-
Interest and other	88,393	-	-
Total Expenditures	482,047,821	39,891,580	13,681,131
Excess (Deficiency) of Revenues Over Expenditures	22,302,483	(38,277,079)	23,694,723
Other Financing Sources (Uses)			
Transfers in	582,978	-	-
Other sources	-	101,566,789	-
Transfers out	(4,641,132)	-	-
Net Financing Sources (Uses)	(4,058,154)	101,566,789	-
NET CHANGE IN FUND BALANCES	18,244,329	63,289,710	23,694,723
Fund Balance - Beginning	63,555,468	-	-
Fund Balance - Ending	\$ 81,799,797	\$ 63,289,710	\$ 23,694,723

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 303,242,202
23,200,711	95,798,325
13,423,407	169,706,019
16,602,729	27,820,960
<u>53,226,847</u>	<u>596,567,506</u>
1,023,628	321,563,994
93,527	29,096,861
-	3,341,241
186,273	30,936,925
-	8,040,338
26,093,724	26,093,724
-	20,293,861
-	3,821,265
1,192,892	14,986,753
4,168,304	50,558,770
15,787,888	67,924,867
-	4,152,022
-	3,206,492
7,274,330	7,335,592
11,129,774	11,218,167
<u>66,950,340</u>	<u>602,570,872</u>
<u>(13,723,493)</u>	<u>(6,003,366)</u>
4,641,132	5,224,110
4,525,337	106,092,126
(582,978)	(5,224,110)
<u>8,583,491</u>	<u>106,092,126</u>
<u>(5,140,002)</u>	<u>100,088,760</u>
50,810,111	114,365,579
<u>\$ 45,670,109</u>	<u>\$ 214,454,339</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ 100,088,760**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 64,867,325	
Depreciation expense	<u>(10,142,446)</u>	
Net Expense Adjustment		54,724,879

Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as work in progress must be written off to expense. (1,520,545)

In the statement of activities, certain operating expenses, such as compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).
 Vacation used was more than the amounts earned by \$204,432. 204,432

Payment of costs for the issuance of certificates of participation is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the life of the bonds. 1,412,509

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.

General obligation bonds		5,500,000
Certificates of participation		2,430,000
Capital lease obligations		387,994
Other long-term obligations		687,235

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. (99,997,856)

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2009

Governmental funds report the effect of premiums when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	\$ (5,725,167)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(6,758,802)
Other liabilities not normally liquidated with current financial resources must be accrued and expensed in proper periods. This would include special termination benefits such as retirement incentives financed over time. This year, there was a net of \$7,825,263 in special termination benefits earned and paid.	(7,825,263)
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution.	(9,871,846)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>(487,624)</u>
Change in Net Assets of Governmental Activities	<u>\$ 33,248,706</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 25,669,081
Receivables	28,398
Due from other funds	2,791,046
Total Current Assets	<u>28,488,525</u>
LIABILITIES	
Current Liabilities	
Accounts payable	285,495
Due to other funds	161,796
Claim liabilities	12,436,859
Total Current Liabilities	<u>12,884,150</u>
NET ASSETS	
Unrestricted	15,604,375
Total Net Assets	<u>\$ 15,604,375</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Local and intermediate sources	\$ 6,420,943
Total Operating Revenues	<u>6,420,943</u>
OPERATING EXPENSES	
Payroll costs	716,765
Supplies and materials	414,638
Facility rental	62,225
Other operating cost	6,238,100
Total Operating Expenses	<u>7,431,728</u>
Operating Loss	<u>(1,010,785)</u>
NONOPERATING REVENUES	
Interest income	523,161
Change in Net Assets	(487,624)
Total Net Assets - Beginning	16,091,999
Total Net Assets - Ending	<u>\$ 15,604,375</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, 2009**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 4,875,203
Other operating cash receipts	50,040
Cash payments to other suppliers of goods or services	(5,152,077)
Cash payments to employees for services	(716,765)
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(2,053,881)
Other operating cash payments	(125,836)
Net Cash Used by Operating Activities	<u>(3,123,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	523,161
Net Decrease in Cash and Cash Equivalents	(2,600,155)
Cash and Cash Equivalents - Beginning	28,269,236
Cash and Cash Equivalents - Ending	<u>\$ 25,669,081</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,010,785)
Changes in assets and liabilities:	
Receivables	43,394
Due from other funds	(1,539,094)
Accrued liabilities	(705,373)
Due to other funds	88,542
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (3,123,316)</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, 2009**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 3,088,540
Receivables	13,701
Total Assets	<u>\$ 3,102,241</u>
 LIABILITIES	
Accounts payable	\$ 15,933
Due to student groups	1,359,357
Due to bondholders	1,726,951
Total Liabilities	<u>\$ 3,102,241</u>

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades Kindergarten - 12 as mandated by the State and/or Federal agencies. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

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

Component Units

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

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Other Related Entities

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 IA), 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 from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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

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

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.

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

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

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

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

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

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

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

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

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, 2009

Basis of Accounting - Measurement Focus

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

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

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

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

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, 2009

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, 2009

Investments

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

Restricted Assets

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

Prepaid Expenditures

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

Stores Inventories

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

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.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$86,986,008 of restricted net assets.

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

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 208,543,979 *
Fiduciary funds	<u>3,088,540</u>
Total Deposits and Investments	<u><u>\$ 211,632,519</u></u>

* \$3,300,937 of these balances represent Restricted Assets - Investments as reflected on the Statement of Net Assets

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

Cash on hand and in banks	\$ 1,024,348
Cash in revolving	704,661
Investments	<u>209,903,510</u>
Total Deposits and Investments	<u><u>\$ 211,632,519</u></u>

Policies and Practices

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
First American Treasury Obligations	\$ 884,552	46 days
Dreyfus Institutional Reserve Treasury	3,464,455	N/A
HSBC Financial Corporation	2,636,357	12/21/09
General Electric Capital	2,934,943	10/27/09
FSA Municipal Bond	5	04/01/37
County Pool	195,979,520	266 days
Total	<u>\$ 205,899,832</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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>Aaa</u>	<u>P-1</u>
First American Treasury Obligations	\$ 884,552	\$ -	\$ 884,552	\$ -
Dreyfus Institutional Reserve Treasury	3,464,455	-	3,464,455	-
HSBC Financial Corporation	2,636,357	-	-	2,636,357
General Electric Capital	2,934,943	-	-	2,934,943
FSA Municipal Bond	5	5	-	-
County Pool	195,979,520	-	195,979,520	-
Total	<u>\$ 205,899,832</u>	<u>\$ 5</u>	<u>\$ 200,328,527</u>	<u>\$ 5,571,300</u>

Concentration of Credit Risk

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, the District's bank balance of \$1,542,025 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 HSBC Financial and General Electric Capital of \$2,636,357 and \$2,934,943, respectively, the District has a custodial credit risk exposure of \$5,571,300 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, 2009, 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	Fiduciary Fund
Federal Government							
Categorical aid	\$ 23,443,283	\$ -	\$ -	\$ 4,159,305	\$ -	\$ 27,602,588	\$ -
State Government							
Apportionment	35,626,426	-	-	-	-	35,626,426	-
Categorical aid	11,511,838	-	-	256,002	-	11,767,840	-
Lottery	3,386,515	-	-	-	-	3,386,515	-
Local Government							
Interest	76,277	70,953	28,518	25,826	26,264	227,838	-
Other Local Sources	2,796,551	13,734	5,623	146,155	2,134	2,964,197	13,701
Total	<u>\$ 76,840,890</u>	<u>\$ 84,687</u>	<u>\$ 34,141</u>	<u>\$ 4,587,288</u>	<u>\$ 28,398</u>	<u>\$ 81,575,404</u>	<u>\$ 13,701</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 136,172,405	\$ -	\$ -	\$ 136,172,405
Construction in Progress	105,237,442	63,352,090	117,136,147	51,453,385
Total Capital Assets Not Being Depreciated	<u>241,409,847</u>	<u>63,352,090</u>	<u>117,136,147</u>	<u>187,625,790</u>
Capital Assets Being Depreciated:				
Land Improvements	21,468,934	1,357,982	-	22,826,916
Buildings and Improvements	404,542,131	114,257,620	-	518,799,751
Furniture and Equipment	21,914,532	1,515,235	-	23,429,767
Total Capital Assets Being Depreciated	<u>447,925,597</u>	<u>117,130,837</u>	<u>-</u>	<u>565,056,434</u>
Total Capital Assets	<u>689,335,444</u>	<u>180,482,927</u>	<u>117,136,147</u>	<u>752,682,224</u>
Less Accumulated Depreciation:				
Land Improvements	14,903,888	532,484	-	15,436,372
Buildings and Improvements	80,159,713	8,061,919	-	88,221,632
Furniture and Equipment	15,164,498	1,548,043	-	16,712,541
Total Accumulated Depreciation	<u>110,228,099</u>	<u>10,142,446</u>	<u>-</u>	<u>120,370,545</u>
Governmental Activities Capital Assets, Net	<u>\$ 579,107,345</u>	<u>\$ 170,340,481</u>	<u>\$ 117,136,147</u>	<u>\$ 632,311,679</u>

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

Governmental Activities		
Instruction		\$ 6,379,599
Supervision of instruction		1,267,806
All other pupil services		1,075,099
All other administration		385,413
Plant services		1,034,529
Total Depreciation Expenses Governmental Activities		<u>\$ 10,142,446</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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, 2009, between major and non-major governmental funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ -	\$ 5,954,345	\$ 156,762	\$ 6,111,107
Building Fund	-	-	13,074,401	-	-	13,074,401
County School Facilities Fund	207,563	-	-	-	-	207,563
Non-Major Governmental Funds	616,984	540,644	541,348	153,449	3,509	1,855,934
Internal Service Fund	2,568,946	2	-	220,573	1,525	2,791,046
Total	\$ 3,393,493	\$ 540,646	\$ 13,615,749	\$ 6,328,367	\$ 161,796	\$ 24,040,051

A balance of \$289,617 due to the General Fund from the Non-Major Child Development Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$3,570,727 due to the General Fund from the Cafeteria Fund resulted from indirect costs and reimbursement of salaries and benefits paid.

A balance of \$587,888 due to the General Fund from the Deferred Maintenance Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$511,688 due to the General Fund from the Capital Facilities Fund resulted from reimbursement of portable rental classrooms.

A balance of \$209,275 due to the General Fund from the Non-Major Special Reserve Capital Outlay Projects Fund resulted from reimbursement of salaries and benefits paid.

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

The balance of \$13,074,401 due to the Building Fund from the County School Facilities Fund resulted from reclassification of building/modernization expenses.

A balance of \$206,314 due to the County School Facilities Fund from the General Fund resulted from reclassification of revenue.

The balance of \$541,348 due to the Non-Major Special Reserve Capital Outlay Projects Fund from the County School Facilities Fund resulted from reclassification of building/modernization expenditures.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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.

Operating Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 582,978	\$ 582,978
Non-Major Governmental Funds	4,641,132	-	4,641,132
Total	<u>\$ 4,641,132</u>	<u>\$ 582,978</u>	<u>\$ 5,224,110</u>

The General Fund transferred to the Debt Service Fund for debt service payments.	\$ 4,605,421
The General Fund transferred to the Cafeteria Fund for interest earnings.	35,711
The Deferred Maintenance Fund transferred to the General Fund for unrestricted contribution.	<u>582,978</u>
Total	<u>\$ 5,224,110</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, 2009**

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 3,768,307	\$ -	\$ -	\$ 63,368	\$ -	\$ 3,831,675	\$ 15,933
State apportionment	-	-	-	-	-	-	-
Salaries and benefits	9,308,734	-	-	133,058	49,022	9,490,814	-
Books and supplies	2,483,852	-	-	742,600	-	3,226,452	-
Construction	243,744	10,978,382	1,996,462	746,265	-	13,964,853	-
Services and other operating payables	5,518,219	-	-	108,768	236,473	5,863,460	-
Total	<u>\$ 21,322,856</u>	<u>\$ 10,978,382</u>	<u>\$ 1,996,462</u>	<u>\$ 1,794,059</u>	<u>\$ 285,495</u>	<u>\$ 36,377,254</u>	<u>\$ 15,933</u>

NOTE 7 - DEFERRED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 12,142,057	\$ -	\$ 12,142,057
State categorical aid	37,875	237,548	275,423
Other local	144,575	-	144,575
Total	<u>\$ 12,324,507</u>	<u>\$ 237,548</u>	<u>\$ 12,562,055</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$138,219,703	\$ 102,209,719	\$ 5,500,000	\$234,929,422	\$ 7,048,434
Premium on issuance	-	6,022,280	240,891	5,781,389	-
Certificates of participation	64,002,640	705,687	2,430,000	62,278,327	2,776,085
Premium on issuance	1,574,203	-	56,222	1,517,981	-
2002 Qualified zone academy bonds	3,556,647	-	395,183	3,161,464	395,183
2005 Qualified zone academy bonds	3,231,340	-	230,810	3,000,530	230,810
Capital leases	542,999	-	387,994	155,005	143,655
Environmental protection act loan	61,242	-	61,242	-	-
Compensated absences	695,404	-	204,432	490,972	-
Supplemental employment retirement plan	1,838,173	11,286,270	3,461,007	9,663,436	2,218,881
Other postemployment benefits	8,942,967	9,871,846	-	18,814,813	-
	<u>\$222,665,318</u>	<u>\$ 130,095,802</u>	<u>\$ 12,967,781</u>	<u>\$339,793,339</u>	<u>\$ 12,813,048</u>

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding	
				July 1, 2008	Issued	Accreted	Redeemed	June 30, 2009
03/30/00	08/01/29	5.00-5.750%	\$ 56,320,000	\$ 50,090,000	\$ -	\$ -	\$ 1,225,000	\$ 48,865,000
07/11/02	08/01/32	3.00-5.375%	38,000,000	34,545,000	-	-	755,000	33,790,000
10/30/02	08/01/32	2.68-5.530%	50,828,156	53,584,703	-	1,912,681	3,520,000	51,977,384
08/06/08	08/01/33	3.50-5.510%	99,997,856	-	99,997,856	299,182	-	100,297,038
				<u>\$ 138,219,703</u>	<u>\$ 99,997,856</u>	<u>\$ 2,211,863</u>	<u>\$ 5,500,000</u>	<u>\$ 234,929,422</u>

1999 General Obligation Bonds, Series 2000

On March 30, 2000, the District issued in the aggregate principal amount of \$56,320,000 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2029, and yield an interest rate of 5.00 – 5.75 percent. At June 30, 2009, the principal balance outstanding was \$48,865,000.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1999 General Obligation Bonds, Series 2002

On July 11, 2002, the District issued in the aggregate principal amount of \$38,000,000 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2032, and yield an interest rate of 3.00 – 5.375 percent. At June 30, 2009, the principal balance outstanding was \$33,790,000.

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued in capital appreciation bonds in the amount of \$50,828,156 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds mature on August 1, 2032, and yield an interest rate of 2.68 – 5.53 percent. At June 30, 2009, the principal balance outstanding was \$51,977,384.

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued in \$94,235,000 in current interest bonds and \$5,762,856 in capital appreciation bonds (accreting to \$22,700,000 at maturity) with an original premium of \$6,022,280 and cost of issuance of \$1,493,943. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds mature on August 1, 2033, and yield an interest rate of 3.50 – 5.51 percent. At June 30, 2009, the principal balance outstanding was \$100,297,038 (including accreted interest to date). Unamortized premium received and costs of issuance of the bonds as of June 30, 2009, were \$5,781,389 and \$1,434,185, respectively. Issuance costs and the premium are amortized over the life of the bonds as a component of interest expense on the bonds.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

Fiscal Year	Principal Including Accreted Interest	Compound Interest Paid at Maturity	Total
2010	\$ 7,048,434	\$ 9,108,681	\$ 16,157,115
2011	7,018,559	9,208,863	16,227,422
2012	8,990,105	9,119,573	18,109,678
2013	6,110,077	9,072,039	15,182,116
2014	6,338,499	9,063,510	15,402,009
2015-2019	36,475,672	45,221,705	81,697,377
2020-2024	33,358,852	64,864,260	98,223,112
2025-2029	57,680,708	40,664,640	98,345,348
2030-2034	71,908,516	26,591,479	98,499,995
Total	<u>\$ 234,929,422</u>	<u>\$ 222,914,750</u>	<u>\$ 457,844,172</u>

Certificates of Participation Debt

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs			COPs
				Outstanding July 1, 2008	Accreted	Redeemed	Outstanding June 30, 2009
Jan-90	08/01/16	3.00-12.00%	\$ 19,800,000	\$ 6,600,000	\$ -	\$ 700,000	\$ 5,900,000
Oct-99	08/01/38	3.60-6.25%	17,691,700	25,132,640	705,687	775,000	25,063,327
May-02	08/01/13	3.00-4.25%	5,180,000	2,635,000	-	485,000	2,150,000
May-07	08/01/39	3.56-4.41%	29,725,000	29,635,000	-	470,000	29,165,000
				<u>\$ 64,002,640</u>	<u>\$ 705,687</u>	<u>\$ 2,430,000</u>	<u>\$ 62,278,327</u>

Certificates of Participation

In January 1990, the Corporation issued certificates of participation (COPs) in the amount of \$19,800,000 with variable interest rates ranging from 3.00 – 12.00 percent. On July 19, 1993, the District prepaid \$8,000,000 of the certificates. At June 30, 2009, the principal balance outstanding was \$5,900,000.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Year Ending June 30,	Principal	Interest	Total
2010	\$ 800,000	\$ 19,667	\$ 819,667
2011	700,000	19,000	719,000
2012	700,000	14,167	714,167
2013	800,000	14,167	814,167
2014	900,000	16,334	916,334
2015-2016	2,000,000	-	2,000,000
Total	<u>\$ 5,900,000</u>	<u>\$ 83,335</u>	<u>\$ 5,983,335</u>

In October 1999, the Corporation issued COPs in the amount of \$17,691,700 with interest rates ranging from 3.60 – 6.25 percent. These certificates were issued for the construction of two elementary schools. At June 30, 2009, the principal balance outstanding was \$25,063,327, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Interest	Total
2010	\$ 496,085	\$ 151,976	\$ 648,061
2011	859,805	126,976	986,781
2012	824,453	101,475	925,928
2013	809,595	101,475	911,070
2014	795,973	101,475	897,448
2015-2019	5,468,742	507,375	5,976,117
2020-2024	5,752,419	507,375	6,259,794
2025-2029	4,905,566	507,375	5,412,941
2030-2034	2,571,670	507,375	3,079,045
2035-2938	2,579,019	471,350	3,050,369
Total	<u>\$ 25,063,327</u>	<u>\$ 3,084,227</u>	<u>\$ 28,147,554</u>

In May 2002, the Corporation issued COPs in the amount of \$5,180,000 with interest rates ranging from 3.00 – 4.25 percent. At June 30, 2009, the principal balance outstanding was \$2,150,000.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 505,000	\$ 88,769	\$ 593,769
2011	525,000	68,569	593,569
2012	550,000	46,912	596,912
2013	570,000	24,225	594,225
Total	<u>\$ 2,150,000</u>	<u>\$ 228,475</u>	<u>\$ 2,378,475</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

In May 2007, the Corporation issued COPs in the amount of \$29,725,000 with interest rates ranging from 3.56 – 4.41 percent. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2009, the principal balance outstanding was \$29,165,000.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 975,000	\$ 1,469,021	\$ 2,444,021
2011	1,000,000	1,427,584	2,427,584
2012	500,000	1,385,084	1,885,084
2013	740,000	1,363,834	2,103,834
2014	875,000	1,332,384	2,207,384
2015-2019	4,405,000	5,973,181	10,378,181
2020-2024	2,390,000	5,184,690	7,574,690
2025-2029	4,145,000	4,468,013	8,613,013
2030-2034	7,260,000	2,986,463	10,246,463
2035-2039	6,875,000	779,363	7,654,363
Total	<u>\$ 29,165,000</u>	<u>\$ 26,369,617</u>	<u>\$ 55,534,617</u>

Qualified Zone Academy Bonds

In December 2002, the District, pursuant to a lease/purchase agreement with the Corporation, issued \$7,000,000 of 2002 Lease Revenue Bonds, Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on December 19, 2016, with the entire principal amount of \$7,000,000 due at this date. The bonds do not bear interest. In lieu of receiving periodic interest payments, eligible taxpayers who are bondholders will receive an annual Federal income tax credit. At June 30, 2009, the balance due was \$3,161,464.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 395,183	\$ 99,944	\$ 495,127
2011	395,183	117,435	512,618
2012	395,183	135,545	530,728
2013	395,183	154,275	549,458
2014	395,183	173,676	568,859
2015-2017	1,185,549	328,140	1,513,689
Total	<u>\$ 3,161,464</u>	<u>\$ 1,009,015</u>	<u>\$ 4,170,479</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

In October 2005, the District issued \$4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. At June 30, 2009, the balance due was \$3,000,530.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 230,810	\$ 21,492	\$ 252,302
2011	230,810	27,992	258,802
2012	230,810	34,660	265,470
2013	230,810	41,499	272,309
2014	230,810	48,515	279,325
2015-2019	1,154,052	298,593	1,452,645
2020-2022	692,428	387,721	1,080,149
Total	<u>\$ 3,000,530</u>	<u>\$ 860,472</u>	<u>\$ 3,861,002</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, 2008	\$ 568,633
Payments	409,094
Balance, July 1, 2009	<u>\$ 159,539</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 147,983
2011	11,556
Total	159,539
Less: Amount Representing Interest	4,534
Present Value of Minimum Lease Payments	<u>\$ 155,005</u>

Environmental Protection Act Loan

In July 1991 and January 1992, the District received funding, in the form of a loan, from the U.S. Environmental Protection Agency for Asbestos Abatement Projects. The loan interest is scheduled to be repaid over 18 years in 36 equal installments. The original amount of the loan was \$2,271,232. As of June 30, 2009, the District fulfilled its obligation.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2009, amounted to \$490,972.

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, 2009, the District has five installments left with a balance of \$9,663,436.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was \$16,932,513 and contributions made by the District during the year were \$7,000,298. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$447,148 and \$507,517, respectively, which resulted in a net OPEB obligation of \$18,814,813. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

NOTE 9 - 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 \$11,730,000 as of June 30, 2009, 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, 2009**

NOTE 10 - FUND BALANCES

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ 4,661	\$ 154,661
Stores inventories	787,095	-	-	397,710	1,184,805
Prepaid expenditures	130,694	-	-	-	130,694
Restricted programs	32,113,692	-	-	-	32,113,692
Total Reserved	33,181,481	-	-	402,371	33,583,852
Unreserved					
Designated					
Economic uncertainties	39,658,707	-	-	7,708,792	47,367,499
Deferred maintenance	2,046,624	-	-	-	2,046,624
Revenue limit reductions	3,185,621	-	-	-	3,185,621
Equipment	-	-	-	1,450,000	1,450,000
Other designations	3,727,364	-	-	-	3,727,364
Total Designated	48,618,316	-	-	9,158,792	57,777,108
Undesignated	-	63,289,710	23,694,723	36,108,946	123,093,379
Total Unreserved	48,618,316	63,289,710	23,694,723	45,267,738	180,870,487
Total Fund Balance	\$81,799,797	\$63,289,710	\$ 23,694,723	\$ 45,670,109	\$214,454,339

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santa Ana Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 722 retirees and beneficiaries currently receiving benefits and 4,408 active plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008-09, the District contributed \$7,000,298 to the Plan, all of which was used for current premiums (approximately 100 percent of total premiums).

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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	\$ 16,932,513
Interest on net OPEB obligation	447,148
Adjustment to annual required contribution	<u>(507,517)</u>
Annual OPEB cost (expense)	16,872,144
Contributions made	<u>7,000,298</u>
Increase in net OPEB obligation	9,871,846
Net OPEB obligation, beginning of year	<u>8,942,967</u>
Net OPEB obligation, end of year	<u><u>\$ 18,814,813</u></u>

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

Year Ended <u>June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 16,932,513	47%	\$ 8,942,967
2009	16,932,513	41%	18,814,813

Funded Status and Funding Progress

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

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Actuarial Methods and Assumptions

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

In the July 1, 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, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - 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. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 15 for additional information relating to public entity risk pools.

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

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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, 2007 to June 30, 2009 (in thousands):

	<u>Workers' Compensation</u>
Liability Balance, July 1, 2007	\$ 18,182,958
Claims and changes in estimates	(770,637)
Claims payments	<u>(4,344,675)</u>
Liability Balance, June 30, 2008	13,067,646
Claims and changes in estimates	3,344,778
Claims payments	<u>(3,975,565)</u>
Liability Balance, June 30, 2009	<u>\$ 12,436,859</u>
Assets available to pay claims at June 30, 2009	<u><u>\$ 28,488,525</u></u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CALSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$18,943,253, \$20,153,522, and \$20,512,098, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$6,274,292, \$7,041,245, and \$7,492,092, 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 \$10,695,837 (4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

Construction Commitments

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

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Critically Overcrowded Schools		
Lowell Elementary	\$ 1,691,256	02/28/10
Carr Intermediate	832,372	03/31/10
Diamond Elementary	962,780	03/31/10
Greenville Fundamental	980,357	03/31/10
Santiago Elementary	712,390	03/31/10
Kennedy Elementary	4,028,556	03/31/10
Martin Elementary	1,541,056	04/30/10
Madison Elementary	2,055,809	07/31/11
Modernization projects		
Adams Elementary	192,466	08/20/11
Sepulveda Elementary	27,507	08/31/11
Lowell Elementary	143,710	02/28/12
Jackson Elementary	227,720	02/28/12
Greenville Fundamental	212,415	03/31/12
Hoover Elementary	271,594	04/30/12
Fremont Elementary	302,474	06/30/12
Lincoln Elementary	65,687	06/30/12
Wilson Elementary	603,795	06/30/12
Willard Intermediate	1,127,270	12/31/12

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization projects (Continued)		
Jefferson Elementary	\$ 121,821	12/31/12
Franklin Elementary	192,794	12/31/12
MacArthur Fundamental	499,755	12/31/12
Monte Vista Elementary	152,123	01/31/13
Madison Elementary	94,239	02/28/13
Monroe Elementary	264,290	03/31/13
Martin Elementary	148,993	04/30/13
Muir Fundamental	70,362	04/30/13
Taft Elementary	113,139	04/30/13
Lathrop Intermediate	289,005	05/31/13
Roosevelt Elementary	388,730	05/31/13
Remington Elementary	413,942	09/30/13
Carr Intermediate	632,897	10/31/13
Spurgeon Intermediate	255,972	12/31/13
Sierra Intermediate	69,045	02/28/14
McFadden Intermediate	402,519	08/31/14
Santa Ana High	744,721	12/31/14
Saddleback High	11,807,889	04/30/15
Overcrowded Relief Program		
Santa Ana High	610,383	08/31/11
Century High	505,892	10/31/11
Sierra Intermediate	576,128	12/31/11
Davis Elementary	48,304	12/31/11
Edison Elementary	84,592	12/31/11
Spurgeon Intermediate	254,444	02/28/12
Heninger Elementary	273,277	04/30/12
	<u>\$ 34,994,470</u>	

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 15 - 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, 2009, the District made payments of \$1,417,260 and \$105,856 to ASCIP and SELF, respectively for property liability coverage.

NOTE 16 - 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 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 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 17 - SUBSEQUENT EVENT

On July 28, 2009, the Governor of the State of California signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended, or unliquidated categorical program balances identified in the July 2009 State Budget package.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$306,699,879	\$291,146,679	\$303,242,202	\$ 12,095,523
Federal sources	49,481,338	85,205,205	72,597,614	(12,607,591)
Other State sources	119,964,233	115,071,810	119,000,559	3,928,749
Other local sources	5,889,278	11,827,354	9,509,929	(2,317,425)
Total Revenues ¹	482,034,728	503,251,048	504,350,304	1,099,256
EXPENDITURES				
Current				
Instruction	315,124,023	336,002,422	320,540,366	15,462,056
Instruction-related activities:				
Supervision of instruction	35,397,455	33,552,625	29,003,334	4,549,291
Instructional library, media, and technology	1,528,564	3,559,728	3,341,241	218,487
School site administration	35,097,551	31,512,908	30,750,652	762,256
Pupil services:				
Home-to-school transportation	7,676,068	8,046,682	8,040,338	6,344
Food services	9,073	10,453	-	10,453
All other pupil services	16,742,220	20,682,327	20,293,861	388,466
Administration:				
Data processing	4,406,218	5,349,419	3,821,265	1,528,154
All other administration	15,118,560	14,387,392	13,793,861	593,531
Plant services	45,714,714	44,939,978	44,916,062	23,916
Facility acquisition and construction	125,742	98,650	38,672	59,978
Ancillary services	26,695	4,108,528	4,152,022	(43,494)
Community services	-	4,103	-	4,103
Other outgo	3,014,832	3,669,109	3,206,492	462,617
Debt service				
Principal	61,242	75,582	61,262	14,320
Interest	10,782	14,387	88,393	(74,006)
Total Expenditures ¹	480,053,739	506,014,293	482,047,821	23,966,472
Excess (Deficiency) of Revenues Over Expenditures	1,980,989	(2,763,245)	22,302,483	25,065,728
Other Financing Sources (Uses)				
Transfers in	-	-	582,978	582,978
Transfers out	(7,124,466)	(4,597,240)	(4,641,132)	(43,892)
Net Financing Sources (Uses)	(7,124,466)	(4,597,240)	(4,058,154)	539,086
NET CHANGE IN FUND BALANCES	(5,143,477)	(7,360,485)	18,244,329	25,604,814
Fund Balance - Beginning	63,555,468	63,555,468	63,555,468	-
Fund Balance - Ending	\$ 58,411,991	\$ 56,194,983	\$ 81,799,797	\$ 25,604,814

¹ On behalf payments of \$10,695,837 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)	
July 1, 2007	\$ -	\$ 139,206,929	\$ 139,206,929	\$ -	\$327,572,666	42%	
July 1, 2007	-	139,206,929	139,206,929	-	303,340,280	46%	

SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Advanced Placement Fee Payment Program	84.330C	[1]	\$ 136,514
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	18,831,954
Title I, Part A - Low Income and Neglected Action Plans	84.010	14579	379,223
Total Title I, Part A Cluster			<u>19,211,177</u>
Title I, Part B - Reading First	84.357A	14328	3,217,094
Title I, Part B - Reading First, Special Education Teacher Professional Development Pilot Program	84.357A	14911	516,643
Total Title I, Part B Cluster			<u>3,733,737</u>
Title I, Part B (3) Even Start Family Literacy Program	84.213	14331	148,361
Title I, Part C - Even Start Migrant Education (MEES)	84.011	14768	28,279
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	198,979
Total Title I, Part C Cluster			<u>227,258</u>
Title II, Part A - Improving Teacher Quality	84.367	14341	4,028,341
Title II, Part D - Enhancing Education Through Technology	84.318	14334	202,818
Title III - Immigrant Education Program	84.365	14346	40,938
Title III - Limited English Proficient Student Program	84.365	10084	1,728,570
Total Title III Cluster			<u>1,769,508</u>
Title IV, Part A - Drug-Free Schools Formula Grant	84.186	14347	545,639
Title IV, Part B, 21st Century Community Learning Centers After School Partnerships Demonstration Program	84.287	14788	3,282,912
Total Title IV, Part B Cluster	84.278N	[1]	332,984
			<u>3,615,896</u>
Title V, Part A - Innovative Education Strategies	84.298A	14354	11,191
Title X - McKinney-Vento Homeless Assistance Grants	84.196A	14332	110,000
Individuals with Disabilities Education Act			
Local Assistance	84.027A	13379	9,251,185
Preschool Local Entitlement	84.027A	13682	762,651
Federal Preschool	84.173A	13430	368,051
Pre-Kindergarten Staff Development	84.173A	13431	2,397
Alternative Dispute Resolution, Part B, Sec 611	84.027	13007	15,000
Total Individuals with Disabilities Education Act Cluster			<u>10,399,284</u>
Early Intervention Grants	84.181	23761	282,678

[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, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB) (Continued)			
Carl D. Perkins Vocational and Technical Education Act Secondary Education	84.048	13924	\$ 573,937
Passed through Central County Regional Occupancy Program:			
Post Secondary and Adult Education	84.048	13923	205,229
Total Vocational and Technical Education Act			<u>779,166</u>
Passed through Rancho Santiago Community College District:			
Carl D. Perkins Vocational and Technical Education Act			
Tech Prep Consortium Project Agreement	84.048	[1]	10,000
California State Gear-Up Program	84.334A	10088	139,675
Passed through Regents of the University of California, Irvine:			
Faculty Outreach Collaborations Uniting Scientists, Students, and Schools (FOCUS)	47.076	[1]	185,676
California State Gear-Up Program	84.334	10088	80,342
Passed through California Department of Rehabilitation:			
Workability II	84.158	10006	238,548
Passed through Orange County Department of Education:			
Title IV, Part D - Smaller Learning Communities	84.215L	03063	622,594
Teaching the American Nation	84.215X	[1]	187,049
Safe Schools Healthy Students Initiative	84.184L	[1]	66,629
Readiness and Emergency Management for Schools	84.184E	[1]	578,247
Total U.S. Department of Education			<u>47,310,328</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.555	13396	16,561,798
Basic School Breakfast Program	10.553	13390	123,458
Especially Needy Breakfast Program	10.553	13390	3,701,279
Meals Supplements	10.555	13666	743,927
Commodities	10.550	13389	1,255,958
Seamless Summer Feeding Program	10.559	13004	376,017
Westland Beef Reimbursement	10.555	02288	2,453
Total for National School Lunch Program Cluster			<u>22,764,890</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	176,649
Child Care Food	10.558	13393	429,618
Total U.S. Department of Agriculture			<u>23,371,157</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, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Billing Option	93.778	10013	\$ 561,591
Medical Administrative Activities	93.778	10060	1,714,803
Total for Medical Cluster			<u>2,276,394</u>
Passed through CDE:			
Child Development, Quality Improvement	93.575	13979	2,697
Child Development, Infant/Toddler Child Care	93.575	13942	3,506
Total for Child Development Cluster			<u>6,203</u>
Head Start	93.600	10016	2,223,478
Child Nutrition, Nutrition Education	10.574	2151	779,670
Total U.S. Department of Health and Human Services			<u>5,285,745</u>
U.S. DEPARTMENT OF EMPLOYMENT DEVELOPMENT			
Passed through CDE:			
Workforce Investment Act	17.259	03422	163,350
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	185,947
U.S. DEPARTMENT OF JUSTICE			
COPS Secure our Schools	16.710	N/A	228,756
Total Expenditures of Federal Awards			<u>\$ 76,545,283</u>

[1] Pass-Through Entity Identifying Number not available
N/A = Not Applicable

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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>
Jose Alfredo Hernandez, J.D.	President	2012
Rob Richardson	Vice President	2012
Audrey Yamagata-Noji, Ph.D.	Clerk	2010
John Palacio	Member	2010
Roman Reyna	Member	2012

ADMINISTRATION

Jane A. Russo	Superintendent
Cathie Olsky, Ed.D.	Deputy Superintendent
Juan M. Lopez	Associate Superintendent, Human Resources
Ronald Murrey	Interim Associate Superintendent, Business Services
Herman Mendez	Assistant Superintendent, Elementary Education
Alexander Ayala	Assistant Superintendent, Secondary Education
Doreen Lohnes	Assistant Superintendent, Support Services
Joe Dixon	Assistant Superintendent, Facilities/Government Relations
Angela Burrell	Public Information Officer

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Amended Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	4,175	4,178
First through third	12,936	12,924
Fourth through sixth	11,688	11,668
Seventh and eighth	7,662	7,644
Home and hospital	10	11
Special education	1,318	1,329
Community day schools	106	99
Total Elementary	37,895	37,853
SECONDARY		
Regular classes	13,651	13,564
Continuation education	564	526
Home and hospital	6	8
Special education	478	478
Community day schools	32	33
Total Secondary	14,731	14,609
Total K-12	52,626	52,462
CLASSES FOR ADULTS		
Not concurrently enrolled	5	-
Total Classes for Adults	5	7
Grand Total	52,631	52,469
		Hours of Attendance
SUMMER SCHOOL		
Elementary		436,752
High school		324,984
Total Hours		761,736

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	-	Complied
Grades 1 - 3		50,400				
Grade 1	42,240		50,687	180	-	Complied
Grade 2	42,240		50,687	180	-	Complied
Grade 3	42,240		50,687	180	-	Complied
Grades 4 - 6		54,000				
Grade 4	52,800		54,021	180	-	Complied
Grade 5	52,800		54,021	180	-	Complied
Grade 6	52,800		56,874	180	-	Complied
Grades 7 - 8		54,000				
Grade 7	52,800		56,874	180	-	Complied
Grade 8	52,800		56,874	180	-	Complied
Grades 9 - 12		64,800				
Grade 9	64,800		64,800	180	-	Complied
Grade 10	64,800		64,800	180	-	Complied
Grade 11	64,800		64,800	180	-	Complied
Grade 12	64,800		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, 2009**

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

	General Fund	Cafeteria Fund	Building Fund	Debt Service Fund for Blended Component Units
FUND BALANCE				
Balance, June 30, 2009, Unaudited Actuals	\$ 93,214,503	\$ 10,306,926	\$ 66,574,462	\$ 12,165,330
Decrease in:				
Cash with fiscal agent	-	-	-	(3,971,969)
Accounts receivable ¹	(11,276,013)	-	-	-
Decrease/(Increase) in:				
Accounts payable	(138,693)	381,123	(3,284,752)	-
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 81,799,797</u>	<u>\$ 10,688,049</u>	<u>\$ 63,289,710</u>	<u>\$ 8,193,361</u>

¹ The adjustment related to the ABX4 3 categorical unappropriated State categorical totaled \$10,209,111 and is described in Note 17 - Subsequent Note

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 446,430,490	\$ 504,350,304	\$ 512,353,257	\$ 505,934,204
Other sources	-	582,978	9,851	9,851
Total Revenues and Other Sources	446,430,490	504,933,282	512,363,108	505,944,055
Expenditures	468,975,045	482,047,821	511,395,634	506,058,642
Other uses and transfers out	5,306,475	4,641,132	6,870,556	12,216,798
Total Expenditures and Other Uses	474,281,520	486,688,953	518,266,190	518,275,440
INCREASE (DECREASE)				
IN FUND BALANCE	\$ (27,851,030)	\$ 18,244,329	\$ (5,903,082)	\$ (12,331,385)
ENDING FUND BALANCE	\$ 65,363,472	\$ 81,799,797	\$ 63,555,468	\$ 69,468,401
AVAILABLE RESERVES ^{2,5}	\$ 21,129,914	\$ 49,068,239	\$ 37,418,256	\$ 35,150,175
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ^{3,5}	4.46%	10.31%	7.38%	6.8%
LONG-TERM OBLIGATIONS	N/A	\$ 339,793,339	\$ 222,665,318	\$ 228,015,937
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	52,401	52,626	52,182	52,382

The General Fund balance has increased by \$12,331,396 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$27,851,030 (34 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 deficits in two of the past three years and anticipates incurring an operating deficit during the 2009-2010 fiscal year. Total long-term obligations have increased by \$111,777,402 over the past two years.

Average daily attendance has increased by 244 over the past two years. A decline of 225 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$10,695,837, \$11,378,737, and \$11,230,685 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2009, 2008, and 2007, respectively.

⁴ Excludes Adult Education ADA.

⁵ The District recorded the revenue and related receivable associated with its portion of the 2008-09 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-10 re-appropriation in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. In accordance with Government Accounting Standards Board Statement No 33, an adjustment to reduce revenue and the related receivable has been included in these financial statements. (See Note 17- Subsequent Event) California Education Code Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$10,209,111 has been included in the Available Reserves totals that is not reflected in the Audited Financial Statements.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

<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, 2009

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 10,515	\$ 426,008	\$ 10,388,807	\$ 665,353
Receivables	7,013	132,747	4,418,264	1,701
Due from other funds	10,328	9,947	54,402	15,795
Stores inventories	-	-	397,710	-
Restricted assets, investments	-	-	-	-
Total Assets	\$ 27,856	\$ 568,702	\$ 15,259,183	\$ 682,849
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,121	\$ 78,323	\$ 820,548	\$ 85,143
Due to other funds	21,735	307,892	3,750,586	597,706
Deferred revenue	-	48,622	-	-
Total Liabilities	27,856	434,837	4,571,134	682,849
Fund Balances:				
Reserved for:				
Revolving cash	-	-	4,661	-
Stores inventories	-	-	397,710	-
Unreserved:				
Designated	-	-	9,158,792	-
Undesignated, reported in:				
Special revenue funds	-	133,865	1,126,886	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balance	-	133,865	10,688,049	-
Total Liabilities and Fund Balances	\$ 27,856	\$ 568,702	\$ 15,259,183	\$ 682,849

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	State School Building Lease-Purchase Fund	Special Reserve Capital Outlay Projects Fund	Capital Project Fund for Blended Component Units
\$ 9,399,683	\$ 916,641	\$ 22	\$ 3,699,059	\$ 3,360,976
10,649	1,075	-	2,525	1,207
-	15,411	-	1,750,044	7
-	-	-	-	-
-	-	-	-	-
<u>\$ 9,410,332</u>	<u>\$ 933,127</u>	<u>\$ 22</u>	<u>\$ 5,451,628</u>	<u>\$ 3,362,190</u>
\$ 800	\$ 121,286	\$ -	\$ 669,777	\$ 12,061
-	609,010	22	227,582	813,834
-	-	-	188,926	-
<u>800</u>	<u>730,296</u>	<u>22</u>	<u>1,086,285</u>	<u>825,895</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,409,532	-	-	-	-
-	-	-	-	-
-	202,831	-	4,365,343	2,536,295
<u>9,409,532</u>	<u>202,831</u>	<u>-</u>	<u>4,365,343</u>	<u>2,536,295</u>
<u>\$ 9,410,332</u>	<u>\$ 933,127</u>	<u>\$ 22</u>	<u>\$ 5,451,628</u>	<u>\$ 3,362,190</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (Continued)
 JUNE 30, 2009

	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 10,128,726	\$ 4,892,424	\$ 43,888,214
Receivables	12,107	-	4,587,288
Due from other funds	-	-	1,855,934
Stores inventories	-	-	397,710
Restricted assets, investments	-	3,300,937	3,300,937
Total Assets	\$ 10,140,833	\$ 8,193,361	\$ 54,030,083
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,794,059
Due to other funds	-	-	6,328,367
Deferred revenue	-	-	237,548
Total Liabilities	-	-	8,359,974
Fund Balances:			
Reserved for:			
Revolving cash	-	-	4,661
Stores inventories	-	-	397,710
Unreserved:			
Designated	-	-	9,158,792
Undesignated, reported in:			
Special revenue funds	-	-	10,670,283
Debt service funds	10,140,833	8,193,361	18,334,194
Capital projects funds	-	-	7,104,469
Total Fund Balance	10,140,833	8,193,361	45,670,109
Total Liabilities and Fund Balances	\$ 10,140,833	\$ 8,193,361	\$ 54,030,083

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ -	\$ 6,203	\$ 23,194,508	\$ -
Other State sources	5,977	1,399,513	1,723,133	1,832,711
Other local sources	-	4,966	4,737,381	24,601
Total Revenues	<u>5,977</u>	<u>1,410,682</u>	<u>29,655,022</u>	<u>1,857,312</u>
EXPENDITURES				
Current				
Instruction	5,977	1,017,651	-	-
Instruction-related activities:				
Supervision of instruction	-	93,527	-	-
School site administration	-	186,273	-	-
Pupil services:				
Food services	-	-	26,093,724	-
Administration:				
All other administration	-	45,898	863,227	-
Plant services	-	37,256	1,075,460	2,828,520
Facility acquisition and construction	-	3,525	-	2,448
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>5,977</u>	<u>1,384,130</u>	<u>28,032,411</u>	<u>2,830,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>26,552</u>	<u>1,622,611</u>	<u>(973,656)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	35,711	-
Other sources	-	-	-	-
Transfers out	-	-	-	(582,978)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>35,711</u>	<u>(582,978)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>26,552</u>	<u>1,658,322</u>	<u>(1,556,634)</u>
Fund Balance - Beginning	<u>-</u>	<u>107,313</u>	<u>9,029,727</u>	<u>1,556,634</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 133,865</u>	<u>\$ 10,688,049</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	State School Building Lease-Purchase Fund	Special Reserve Capital Outlay Projects Fund	Capital Project Fund for Blended Component Units
\$ -	\$ -	\$ -	-	\$ -
-	-	-	8,419,531	-
186,163	607,472	-	178,828	46,395
<u>186,163</u>	<u>607,472</u>	<u>-</u>	<u>8,598,359</u>	<u>46,395</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	283,767	-	-	-
-	218,402	-	8,666	-
-	312,201	-	13,182,763	2,286,951
-	-	-	-	-
-	-	-	-	-
-	814,370	-	13,191,429	2,286,951
<u>186,163</u>	<u>(206,898)</u>	<u>-</u>	<u>(4,593,070)</u>	<u>(2,240,556)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
186,163	(206,898)	-	(4,593,070)	(2,240,556)
9,223,369	409,729	-	8,958,413	4,776,851
<u>\$ 9,409,532</u>	<u>\$ 202,831</u>	<u>\$ -</u>	<u>\$ 4,365,343</u>	<u>\$ 2,536,295</u>

SANTA ANA UNIFIED SCHOOL DISTRICT

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

	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ 23,200,711
Other State sources	42,542	-	13,423,407
Other local sources	9,811,186	1,005,737	16,602,729
Total Revenues	9,853,728	1,005,737	53,226,847
EXPENDITURES			
Current			
Instruction	-	-	1,023,628
Instruction-related activities:			
Supervision of instruction	-	-	93,527
School site administration	-	-	186,273
Pupil services:			
Food services	-	-	26,093,724
Administration:			
All other administration	-	-	1,192,892
Plant services	-	-	4,168,304
Facility acquisition and construction	-	-	15,787,888
Debt service			
Principal	4,844,330	2,430,000	7,274,330
Interest and other	7,288,379	3,841,395	11,129,774
Total Expenditures	12,132,709	6,271,395	66,950,340
Excess (Deficiency) of Revenues Over Expenditures	(2,278,981)	(5,265,658)	(13,723,493)
Other Financing Sources (Uses)			
Transfers in	-	4,605,421	4,641,132
Other sources	4,525,337	-	4,525,337
Transfers out	-	-	(582,978)
Net Financing Sources (Uses)	4,525,337	4,605,421	8,583,491
NET CHANGE IN FUND BALANCES	2,246,356	(660,237)	(5,140,002)
Fund Balance - Beginning as Restated	7,894,477	8,853,598	50,810,111
Fund Balance - Ending	\$ 10,140,833	\$ 8,193,361	\$ 45,670,109

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2008-2009		2007-2008		2006-2007	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 72,598	14.4	\$ 49,641	9.7	\$ 56,423	11.2
State and local revenue included in revenue limit	303,242	60.1	319,085	62.3	309,842	61.2
Other State revenue	119,000	23.6	128,603	25.1	127,891	25.3
Other local revenue	4,563	0.9	15,024	2.9	11,645	2.3
Tuition and transfers in	4,947	1.0	-	-	134	-
Total Revenues	<u>504,350</u>	<u>100.0</u>	<u>512,353</u>	<u>100.0</u>	<u>505,935</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	243,810	48.3	259,022	50.5	248,403	49.1
Classified salaries	62,371	12.4	73,113	14.3	73,073	14.4
Employee benefits	104,480	20.7	106,639	20.8	101,134	20.0
Total Salaries and Benefits	410,661	81.4	438,774	85.6	422,610	83.5
Books and supplies	16,383	3.2	21,771	4.2	26,965	5.3
Contracts and operating expenses	52,387	10.4	47,099	9.2	44,281	8.8
Capital outlay	257	-	901	0.2	6,783	1.3
Other outgo	2,360	0.5	2,850	0.6	5,420	1.1
Total Expenditures	<u>482,048</u>	<u>95.5</u>	<u>511,395</u>	<u>99.8</u>	<u>506,059</u>	<u>100.0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,302	4.5	958	0.2	(124)	-
OTHER FINANCING SOURCES (USES)						
Transfers	<u>(4,058)</u>	<u>(0.8)</u>	<u>(6,861)</u>	<u>(1.3)</u>	<u>(12,217)</u>	<u>(2.4)</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>18,244</u>	<u>3.7</u>	<u>(5,903)</u>	<u>(1.1)</u>	<u>(12,341)</u>	<u>(2.4)</u>
FUND BALANCE, BEGINNING	63,556		69,459		81,800	
FUND BALANCE, ENDING	<u>\$ 81,800</u>		<u>\$ 63,556</u>		<u>\$ 69,459</u>	
ENDING FUND BALANCE TO TOTAL REVENUES	<u>0.16</u>		<u>0.12</u>		<u>0.14</u>	
BASE REVENUE LIMIT PER ADA						
Regular	<u>\$ 6,107</u>		<u>\$ 5,778</u>		<u>\$ 5,526</u>	

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues reported in Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 95,798,325
American Recovery Reinvestment Act: State Fiscal Stabilization Funds	84.394	(19,201,190)
Medi-Cal Billing	93.778	(51,852)
Total Schedule of Expenditures of Federal Awards		<u>\$ 76,545,283</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 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

General Fund Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise Santa Ana Unified School District's basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 2, 2009.

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

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

Vasank, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009



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

Governing Board
Santa Ana Unified School District
Santa Ana, California

Compliance

We have audited the compliance of Santa Ana Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Santa Ana Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Santa Ana Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

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

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

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

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

Vavonek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Santa Ana Unified School District
 Santa Ana, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	No, See Below
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Instructional Materials general requirements	8	Yes, See Below
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

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

We performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were not determined to be required.

We did not perform testing for Independent Study because attendance was below materiality thresholds required for testing.

Based on our audit, we found that for the items tested, the Santa Ana Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Santa Ana Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Santa Ana Unified School District's compliance with the State laws and regulations referred to above.

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

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA ANA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>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 Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173A</u>	<u>Special Education Cluster</u>
<u>10.550, 10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.287</u>	<u>Title IV, Part B, 21st Century Community Learning Centers</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,296,358</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

None reported.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

None reported.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2009-1 40000

After School Safety and Education Program (ASES)

Attendance Records and Reporting

Criteria or Specific Requirements

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

Condition

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

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

Questioned Costs

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

Context

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Effect

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

Cause

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

Recommendation

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

SANTA ANA UNIFIED SCHOOL DISTRICT

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

District Response

Santa Ana Unified's third party vendor has instituted some significant procedures to ensure the attendance data is accurate and up-to-date for 2009-10. These include but, are not limited to:

- Holding monthly meetings with ASES Teacher Coordinators to go over the most current information and best practices. Part of that meeting is to update and review attendance and data verification
- The site assistant plays a critical role in accurate attendance reporting as well as data verification. Site assistants meet twice a month to go over most recent information and data to ensure accurate attendance.
- Program leaders must audit their sign in/out sheets daily and complete a DVC-1 which is turned in weekly to the site coordinator.
- The Site coordinator must fill out the attendance sheet packet cover page and randomly audit one day, all program leaders, per week. This form is turned in and reviewed weekly by the Regional Operations Analyst (ROA) who fills out the audit scorecard.
- Sites are randomly selected to undergo attendance data verification on a weekly basis. Mistakes are corrected and each site receives a score based on accurate attendance data. And if a problem is detected, the site assistant will go through additional training and operations support.
- Sites are also monitored to insure that all permission slips are signed and logged in for the Walk-Home Alone students as well as the Early Dismissal students.

District staff will monitor for compliance of the above actions.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

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

Instructional Minutes

2008-1 30000

Finding

Although the District met the minimum number of instructional minutes in order to be eligible for the longer-year incentive funding, there are some school sites that have the annual instructional minutes at or above the required minimum but by a very small margin. The situation may arise that unforeseen shortened days or even a canceled day may drop the site below the minimum required minutes.

Recommendation

The bell schedule and calendar submitted for each school site should be reviewed by the administration to ensure the minimum amount of instructional minutes are met.

Current Status

Implemented.

Revolving Fund

2008-2 30000

Finding

We noted that there was an unrecognized account for the Self-Insurance Fund that was being used for property and liability. The general ledger maintains an imprest balance of \$500,000, which correlates to a workers' compensation account maintained by Southern California Risk Management Associates, Inc. (SCRMA). This account is replenished on a monthly basis, as necessary. However, in reviewing the bank statements, there was also an account with a \$50,000 imprest amount held with Bank of America, which is maintained by Corvell for all property and liability claims.

Recommendation

The District needs to reflect this amount on their general ledger. This money is still an asset to the District and needs to be recognized. An adjustment needs to be made in order to recognize this amount.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Current Status

Implemented.

Disbursement Procedures

2008-3 30000

Finding

Currently, the District does not have a formal procedure to communicate terminations or position changes to the Purchasing Director (who authorizes employees to purchasing and accounts payable modules). The lack of a formal procedure results in untimely communication with the IT department in order for them to terminate their access to Oracle.

Recommendation

The District should incorporate the Purchasing Director to the notification trail performed by the Human Resources department when an employee is terminated or has changed position. This would assure that the IT department is informed of the termination in a timelier manner, and access in Oracle would be terminated.

Current Status

Implemented.

Payroll and Personnel

2008-4 30000

The District does not have a policy and procedure in place to track total hours worked and salary paid against an approved extra assignment project to ensure that the total hours worked under or salary charged against the extra duty assignment project does not exceed approved total hours or amount. Furthermore, after the initial project has been approved by the Board, additional employees may be added to a project, as may be requested by the project coordinator.

Recommendation

The District should establish a policy and procedure to monitor the hours worked and the salary charged against an approved extra duty assignment project to ensure the amounts do not exceed the approved limitations. The addition of new employees to the project should be reviewed by qualified and independent individuals to ensure that the employee to be added to the position has adequate skill and knowledge to perform the duty.

Current Status

Implemented.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

State Award Findings and Questioned Costs

After School Safety and Education Program (ASES)

Attendance Records and Reporting

2008-5 40000

Criteria or Specific Requirement

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

Condition

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

The following observations were also noted:

- Out of seven after school programs selected for testing, the District was unable to provide attendance source documents for three of its ASES operating sites (*Santiago Elementary School, Gonzalo Felicitas Mendez Fundamental Intermediate, and Spurgeon Intermediate*).
- Per review of attendance source documents at Sierra Intermediate after school program, the attendance for the month selected for testing was determined to be overstated by 1,552 students served.
- Per review of attendance source documents at Diamond Elementary before school program, the attendance for the entire first half of the year was selected for testing and was determined to be overstated by over 2,700 students served.

SANTA ANA UNIFIED SCHOOL DISTRICT

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

Questioned Cost

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Partially implemented. See finding 2009-1.



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, 2009, 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 an opportunity 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 2, 2009, on the basic financial statements of Santa Ana Unified School District.

ASSOCIATED STUDENT BODY (ASB)

McFadden Intermediate School

Observations

During our audit of internal controls over Associated Student Bodies, we noted the following issues:

1. During review of the receipting process, it was noted that deposits are not being made on a timely basis. The site was waiting up to 42 days to submit the monies collected to the bank for deposit.
2. Out of 11 expenditures reviewed, there was an expenditure identified as an inappropriate use for student body funds. Student body funds are for the benefit of the students and/or their organizations. The school site purchased rubber mats for the weight room.
3. Three out of 11 expenditures reviewed did not have proper ASB approval prior to the purchase.
4. The site does not use a ticket sales recap form for ticketed events held during the year. The club advisors/teachers simply return the ticket roll and monies collected to the bookkeeper without indicating the amount of tickets sold or monies collected.
5. A master ticket control log tracking the beginning and ending ticket roll count is not being completed after tickets are issued.
6. The site does not maintain an inventory of the PE clothing purchased or sold, and all of the PE teachers have access to PE inventory, therefore, no accountability exists for the inventory.
7. Revenue potential forms are not being used to explain the differences between anticipated sales and actual sales. These forms supply an element of internal controls which allow the ASB the ability to determine the success of a fundraiser and to track money as it is spent and received.

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. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.
2. Funds raised through the ASB are generated for the benefit of students and their activities, and should not be used to purchase items that do not directly benefit the students. Purchase of rubber mats for the weight room is the responsibility of the school, and ASB monies should not be used to supplant school responsibilities.
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 is not performed, and that items being purchased are student approved items.
4. A ticket sales recap form serves the purpose of reconciling the total number of tickets sold and money collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
5. A master ticket sales log should be used for each ticketed event in order to reconcile the beginning and ending numbers on the ticket rolls. The log should be properly safeguarded in a secure location with the tickets.
6. According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the Vice Principal or Principal. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.
7. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.

Saddleback High School

Observations

During our audit of internal controls over Associated Student Bodies, we noted the following issues:

1. During review of the receipting process, it was noted that deposits are not being made on a timely basis. The site was waiting up to 17 days to submit the monies collected to the bank for deposit.
2. Receipts in the pre-numbered receipt sequences (Blue Bear receipts) were missing. It was unconfirmed what resulted in the discrepancy; however, receipt numbers 114322-114326 and 114354 were missing.
3. Seven out of 13 expenditures reviewed did not have proper ASB approval prior to the purchase.
4. A master ticket control log tracking the beginning and ending ticket roll count is not being completed after tickets are issued.

5. Revenue potential forms are not being used to explain the differences between anticipated sales and actual sales. These forms supply an element of internal controls which allow the ASB the ability to determine the success of a fundraiser and to track money as it is spent and received.

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. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.
2. Receipts issued from the Blue Bear system should be printed every time a transaction takes place. These receipts should be maintained as documentation for the reason why cash is not being submitted for deposit.
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 is not performed, and that items being purchased are student approved items.
4. A master ticket sales log should be used for each ticketed event in order to reconcile the beginning and ending numbers on the ticket rolls. The log should be properly safeguarded in a secure location with the tickets.
5. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

TIMELY DEPOSITS

MacArthur Fundamental Intermediate School (34 days) and Lorin Griset Academy (24 days)

Observation

During review of the receipting process, it was noted that deposits are not being made on a timely basis. The sites were waiting for extended periods of time to submit the monies collected to the District for deposit.

Recommendation

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. However, the ultimate responsibility will rely on the site ASB technician to notify the District of the need for a deposit pick-up on a timely basis.

FOOD SERVICES

Cash Receipting

Observation

All cash/checks received at the main Food Services office are currently being forwarded directly to the Accountant. The Accountant is responsible for preparing the deposit and recording the transactions in Oracle. The Accountant is also responsible for generating invoices and otherwise tracking all receivables related to Food Services. As a result of the custody, recording, and monitoring functions of the Accountant, there appears to be deficiency with respect to segregation of duties.

Recommendation

The District should establish a policy to properly segregate the duties associated with cash/checks received at the main Food Services office. One example of such a policy is to assign the responsibility of receiving cash/checks and preparing the associated deposits to someone other than the Food Services Accountant.

Cash Disbursements

Observation

Several of the disbursements reviewed did not have a signed purchase order on file. It appears that vendors do not always receive a copy of the purchase orders created by the Food Services Department. It also appears that invoices are not always being compared to a signed purchase order before the payments are processed.

Recommendation

The District should establish a procedure to ensure that signed purchase orders are on file for all payments processed by Food Services. Moreover, all vendors should be receiving a copy of the signed purchase orders. Finally, payments should not be processed until the invoices are reconciled to a signed purchase order.

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

Vavreck, Trino, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009