

**CENTRAL UNION HIGH SCHOOL DISTRICT  
COUNTY OF IMPERIAL  
EL CENTRO, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2011**

**WILKINSON HADLEY KING & CO. LLP  
CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020**

## Introductory Section

Central Union High School District  
 Audit Report  
 For The Year Ended June 30, 2011

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Audit Report  
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## Financial Section

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Central Union High School District  
El Centro, California 92243

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Union High School 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 Central Union High School District as of June 30, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of Central Union High School 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 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
October 5, 2011

# **Management Discussion and Analysis For the Central Union High School District For the Fiscal Year Ended June 30, 2011 (Unaudited)**

The following Management Discussion and Analysis (MD&A) highlights the significant factors that influenced the financial performance of the Central Union High School District during the fiscal year ending June 30, 2011. The MD&A is a requirement of GASB 34 and should be read in conjunction with the district's financial statements for the fiscal year 2010-11.

## **Financial Highlights**

- The district's total net assets were \$61,385,112 as of June 30, 2011. This represents a \$7,842,519 increase from the audited beginning balance of \$53,542,593.
- Total General and Program Revenues were \$43,707,476 as compared to \$35,864,957 in expenditures.
- Average Daily Attendance decreased by 13.9 students; from 3,905.49 in 2009-10 to 3,891.59 in 2010-11.

## **Overview of the Financial Statements**

The following are the components of the GASB 34 reporting model:

Management Discussion and Analysis  
District Wide Statements  
Statement of Activities  
Statement of Net Assets  
Fund Statements  
Budgetary Comparison  
Notes to Financial Statements

The Management Discussion and Analysis (this section) is a narrative analysis of the district's financial performance over the course of the fiscal year.

The District-wide financial statements report information about the district as a whole. All funds are included. There are two types of District-wide Statements; the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the district's assets and liabilities and reports the changes that occurred during the fiscal year. The Statement of Activities reports all of the district's revenues and expenditures accounted for in the current year, regardless of when the cash was paid.

The two district-wide statements report the district's net assets and how they have changed. Net assets, the difference between a district's assets and liabilities, is a common tool used by outside agencies to measure the district's fiscal health or determine its financial position. Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating.

The districts activities are divided into two categories in the district wide financial statements 1) Governmental activities and 2) Business-type activities. All of the district's activities are considered governmental activities for GASB reporting purposes.

## **Fund Financial Statements**

Fund Financial Statements provide more detailed information about the district's specific funds, not the district as a whole. These are the familiar types of statements used for reporting purposes prior to the district's implementation of GASB 34. The purpose of Fund Financial Statements is to assist the district in keeping specific sources of funding separate due to State laws and restrictions on spending particular types of funds (i.e. Adult Education Fund is separate from the Deferred Maintenance Fund and the Cafeteria Fund, etc).

In Fund Accounting, there are three types of funds; 1) Governmental Funds 2) Proprietary Funds and 3) Fiduciary Funds. The majority of the funds accounted for by Central Union High School District are governmental funds. The district uses governmental funds to account for all of the activities in the general fund, including collection and disbursement of earmarked money (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Project Funds) and the servicing of general long term debt (Debt Service Funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The two forms of proprietary funds are enterprise funds and internal service funds. The district does not currently operate any proprietary funds.

Fiduciary funds are used to account for and manage assets that belong to others, such as scholarship funds or student activities funds. Fiduciary activities are reported in separate fiduciary statements. Their activities and operations are excluded from the district wide financial statements because the district cannot use these assets to finance its operations. The district does not currently operate any fiduciary funds, other than student body funds.

## **Financial Analysis of the District as a Whole**

The Statement of Net Assets and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the district's financial position as of June 30, 2011

Summary of Statement of Net Assets	<u>2009-10</u>	<u>2010-11</u>
Current and other assets	\$15,592,330	\$24,423,765
Capital assets	<u>55,825,244</u>	<u>55,355,283</u>
Total assets	\$71,417,574	\$79,779,048
Long-term debt outstanding	\$16,951,626	\$16,140,500
Other liabilities	<u>923,357</u>	<u>2,253,436</u>
Total liabilities	\$17,874,983	\$18,393,936
Net assets invested in capital assets, net of related debt:	\$39,919,221	\$40,712,865
Restricted expendable	3,560,844	1,898,932
Restricted for educational programs	7,700,823	9,154,961
Unrestricted and nonexpendable	<u>2,361,703</u>	<u>9,618,354</u>
Total Net Assets	\$53,542,591	\$61,385,112

Summary of Statement of Activities	<u>2009-10</u>	<u>2010-11</u>
Program revenues	\$ 7,316,168	\$14,535,407
General revenues	<u>28,157,476</u>	<u>29,172,069</u>
Total Revenues	\$35,473,644	\$43,707,476
Expenses for instruction and related services	\$23,166,767	\$22,334,585
Student support services	4,837,383	4,748,649
General administration	2,414,377	2,210,189
Maintenance & operations	5,903,176	5,860,459
Other services	134,849	26,276
Interest on long-term debt	733,300	678,799
Other	<u>3,210</u>	<u>6,000</u>
Total Expenses	\$37,193,062	\$35,864,957
Net Change in Assets	(\$1,719,418)	\$7,842,519

### Proprietary and Fiduciary Fund Types

The district does not currently operate any proprietary funds (i.e. Self Insurance funds, etc).

### Fiduciary Fund Types

Central High School and Southwest High School both operate Associated Student Body accounts and as a whole, they had an operating surplus. The district operates no other Fiduciary funds.

## **Analysis of General Fund Budget**

Over the course of the year, the district revised the annual operating budget several times. The following table is an analysis of the budget verses actual expenditures within the general fund.

## **Analysis of Budget Verses Actual**

<b>REVENUES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenue Limit Sources	23,353,877	23,435,814	81,937
Federal Revenues	3,665,200	3,071,540	(593,660)
State Revenues	4,764,847	4,566,148	(198,699)
Local Revenues	2,236,215	2,291,583	55,368
<b>TOTAL</b>	<b>34,020,139</b>	<b>33,365,085</b>	<b>(655,054)</b>
<b>Expenditures</b>			
Certificated Salaries	16,626,884	16,268,254	358,630
Classified Salaries	5,173,716	5,002,366	171,350
Employee Benefits	5,449,804	5,285,760	164,044
Supplies	2,945,286	1,445,570	1,499,716
Services	3,418,681	2,714,964	703,717
Capital Outlay	495,005	462,694	32,311
Other Outgo/Transfers Out	(77,598)	(73,207)	(4,391)
<b>TOTAL</b>	<b>34,031,778</b>	<b>31,106,401</b>	<b>2,925,377</b>

## **Capital Assets and Long-Term Debt Administration**

### Capital Assets

By the end of fiscal year 2010-11, the district had invested \$85,724,147 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$55,355,283, net of \$30,368,864 in accumulated depreciation.

## Long-Term Debt

At the end of the year, Central Union High School District had \$16,140,500 in long-term debt outstanding. This is a decrease from prior year of \$811,126.

The following table summarizes the district's long-term debt as of June 30, 2011.

### Central Union High School District Outstanding Long-Term Debt

	Governmental Activities	
	2009-2010	2010-2011
GO Bonds Payable	15,430,000	14,305,000
Capital Leases Payable	476,025	337,416
Net OPEB Obligation	946,239	1,397,302
Compensated Absences Payable	99,362	100,782
<b>TOTAL</b>	<b>17,759,549</b>	<b>16,140,500</b>

## **Factors Bearing on the District's Future**

The most important factor that could have a significant impact on the district's financial future is the condition of the State economy. The economic environment in the state is unstable and revenue forecasts have continued to fall short of State projections. There is a strong possibility of mid-year budget cuts in 2011-12. Significant cuts to the education budget could have a negative financial impact on the financial health of the district.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Merritt Merten, Accountant, at (760) 336-4503 or at Central Union High School District, 351 Ross Avenue, El Centro, CA, 92243.

## Basic Financial Statements

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Governmental Activities
<b>ASSETS</b>	
Cash in County Treasury	\$ 17,132,026
Cash in Revolving Fund	6,000
Receivables	7,169,104
Stores	116,635
Capital Assets:	
Land	5,884,628
Land Improvements	8,505,215
Buildings	64,324,341
Equipment	4,691,297
Work in Progress	2,318,666
Less Accumulated Depreciation	(30,368,864)
Total Assets	<u>79,779,048</u>
<b>LIABILITIES</b>	
Accounts Payable	1,129,710
Deferred Revenue	1,123,726
Long-Term Liabilities:	
Due Within One Year	1,436,237
Due in More Than One Year	14,704,263
Total Liabilities	<u>18,393,936</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	40,712,865
Restricted for:	
Capital Projects	462,695
Debt Service	1,436,237
Educational Programs	1,242,730
Other Purposes (Expendable)	7,912,231
Other Purposes (Nonexpendable)	2,344,146
Unrestricted	7,274,208
Total Net Assets	<u>\$ 61,385,112</u>

The accompanying notes are an integral part of this statement.

## CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
Government Activities:					
Instruction	\$ 18,115,686	\$ 59,607	\$ 3,015,503	\$ 7,431,300	\$ (7,609,276)
Instruction-Related Services:					
Instructional Supervision and Administration	856,921	-	748,841	-	(108,080)
Instructional Library, Media and Technology	372,285	-	170,062	-	(202,223)
School Site Administration	2,989,693	-	133,329	-	(2,856,364)
Pupil Services:					
Home-to-School Transportation	893,005	16,222	358,310	-	(518,473)
Food Services	1,761,894	277,552	1,315,922	-	(168,420)
All Other Pupil Services	2,093,750	-	628,368	-	(1,465,382)
General Administration:					
Centralized Data Processing	472,569	-	-	-	(472,569)
All Other General Administration	1,737,620	16,627	219,278	-	(1,501,715)
Plant Services	5,298,665	17,254	95,323	-	(5,186,088)
Ancillary Services	561,794	-	31,909	-	(529,885)
Community Services	26,276	-	-	-	(26,276)
Interest on Long-Term Debt	678,799	-	-	-	(678,799)
Other Outgo	6,000	-	-	-	(6,000)
Total Governmental Activities	35,864,957	387,262	6,716,845	7,431,300	(21,329,550)
Total Primary Government	\$ 35,864,957	\$ 387,262	\$ 6,716,845	\$ 7,431,300	(21,329,550)
General Revenues:					
Revenue Limit Sources					4,697,292
Federal and State Revenues, not restricted					23,423,441
Interest and Investment Earnings					140,988
Interagency Revenues					365,236
Miscellaneous					545,112
Total General Revenues					29,172,069
Change in Net Assets					7,842,519
Net Assets - Beginning					53,542,593
Net Assets - Ending					\$ 61,385,112

The accompanying notes are an integral part of this statement.

**CENTRAL UNION HIGH SCHOOL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Cafeteria Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 8,418,566	\$ 257,768
Cash in Revolving Fund	6,000	-
Accounts Receivable	6,861,995	230,331
Due from Other Funds	531,770	-
Stores Inventories	66,140	50,494
<b>Total Assets</b>	<b><u>\$ 15,884,471</u></b>	<b><u>\$ 538,593</u></b>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 295,030	\$ 583
Due to Other Funds	55,431	379,207
Deferred Revenue	1,123,726	-
<b>Total Liabilities</b>	<b><u>1,474,187</u></b>	<b><u>379,790</u></b>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	6,000	-
Stores Inventories	66,140	50,494
Restricted Fund Balances	1,242,730	108,309
Committed Fund Balances:		
Committed for Other Purposes	-	-
Unassigned:		
Reserve for Economic Uncertainty	2,344,146	-
Other Unassigned	10,751,268	-
<b>Total Fund Balance</b>	<b><u>14,410,284</u></b>	<b><u>158,803</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 15,884,471</u></b>	<b><u>\$ 538,593</u></b>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,994,227	\$ 1,461,467	\$ 17,132,028
-	-	6,000
56	76,720	7,169,102
23	-	531,793
-	-	116,634
<u>\$ 6,994,306</u>	<u>\$ 1,538,187</u>	<u>\$ 24,955,557</u>
\$ 543,178	\$ 14,600	\$ 853,391
-	97,155	531,793
-	-	1,123,726
<u>543,178</u>	<u>111,755</u>	<u>2,508,910</u>
-	-	6,000
-	-	116,634
6,451,128	1,337,132	9,139,299
-	89,300	89,300
-	-	2,344,146
-	-	10,751,268
<u>6,451,128</u>	<u>1,426,432</u>	<u>22,446,647</u>
<u>\$ 6,994,306</u>	<u>\$ 1,538,187</u>	<u>\$ 24,955,557</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

Total fund balances - governmental funds balance sheet			\$	22,446,647
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.				55,355,283
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatu				(276,318)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:				
	General obligation bonds	14,305,000		
	Compensated absences	100,782		
	Capital leases	337,416		
	Net OPEB obligation	1,397,302		(16,140,500)
Net assets of governmental activities - statement of net assets			\$	<u>61,385,112</u>

The accompanying notes are an integral part of this statement.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Cafeteria Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 19,857,958	\$ -
Local Sources	3,577,856	-
Federal Revenue	3,071,540	1,141,565
Other State Revenue	4,566,148	97,282
Other Local Revenue	2,291,583	525,804
Total Revenues	<u>33,365,085</u>	<u>1,764,651</u>
Expenditures:		
Instruction	17,412,241	-
Instruction - Related Services	4,202,183	-
Pupil Services	3,043,648	1,750,137
Ancillary Services	561,794	-
Community Services	38,928	-
General Administration	2,071,444	79,207
Plant Services	3,770,163	108,798
Other Outgo	6,000	-
Debt Service:		
Principal	138,609	-
Interest	20,591	-
Total Expenditures	<u>31,265,601</u>	<u>1,938,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,099,484</u>	<u>(173,491)</u>
Other Financing Sources (Uses):		
Transfers In	823,689	261,290
Transfers Out	(1,144,979)	-
Total Other Financing Sources (Uses)	<u>(321,290)</u>	<u>261,290</u>
Net Change in Fund Balance	1,778,194	87,799
Fund Balance, July 1	12,632,090	71,004
Fund Balance, June 30	<u>\$ 14,410,284</u>	<u>\$ 158,803</u>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 19,857,958
-	-	3,577,856
-	59,112	4,272,217
7,431,296	14,648	12,109,374
61	1,072,621	3,890,069
<u>7,431,357</u>	<u>1,146,381</u>	<u>43,707,474</u>
-	165,764	17,578,005
-	10,409	4,212,592
-	16,198	4,809,983
-	-	561,794
-	-	38,928
-	27,744	2,178,395
980,229	18,825	4,878,015
-	-	6,000
-	1,125,000	1,263,609
-	676,890	697,481
<u>980,229</u>	<u>2,040,830</u>	<u>36,224,802</u>
 <u>6,451,128</u>	 <u>(894,449)</u>	 <u>7,482,672</u>
-	60,000	1,144,979
-	-	(1,144,979)
<u>-</u>	<u>60,000</u>	<u>-</u>
 <u>6,451,128</u>	 <u>(834,449)</u>	 <u>7,482,672</u>
-	2,260,880	14,963,974
<u>\$ 6,451,128</u>	<u>\$ 1,426,431</u>	<u>\$ 22,446,646</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ 7,482,672

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	1,442,924	
Depreciation expense	<u>(1,912,887)</u>	
Net		(469,963)

Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,263,609

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 18,684

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (451,063)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (1,420)

Change in net assets of governmental activities - statement of activities \$ 7,842,519

The accompanying notes are an integral part of this statement.

**CENTRAL UNION HIGH SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2011

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 384,827
Total Assets	<u>\$ 384,827</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 384,827
Total Liabilities	<u>\$ 384,827</u>
<b>NET ASSETS:</b>	
Total Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

A. Summary of Significant Accounting Policies

Central Union High School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

The District reports the following major governmental funds:

**General Fund.** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**Special Reserve Fund for Other than Capital Outlay.** This fund is used to to account for funds reserved for specific uses.

**Cafeteria Fund.** This fund is used to account separately for federal, state, and local resources to operate the food service program.

**County School Facilities Fund.** This fund is used to account for apportionments received from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

In addition, the District reports the following fund types:

**Special Revenue Funds:** These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Capital Projects Funds:** These funds account for the acquisition and/or construction of all major governmental general fixed assets.

**Debt Service Funds.** These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	15-25
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

i. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Minimum Fund Balance

The District has adopted a policy to maintain a minimum reserve of 16.7% of the annual general fund expenditures and other financing uses. The percentage is approximately an amount equivalent to two months of expenditures. If the reserve amount drops below 8.4%, a plan will be developed to recover the difference in two years. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

k. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is merged with the General Fund for purposes of presentation in the audit report.

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2011 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Other outgo	\$ 6,000
Cafeteria Fund:	
Classified salaries	4,061
Books and supplies	11,531

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$17,132,026 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$17,132,026. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$384,827 as of June 30, 2011) and in the revolving fund (\$6,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

4. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 664,879	\$ 178,080	-	\$ -	\$ 842,959
State Government:					
Revenue Limit	5,397,872	-	-	-	5,397,872
Lottery	322,838	-	-	-	322,838
Categorical aid programs	6,397	-	-	-	6,397
Other state programs	140,000	-	-	-	140,000
Local Sources:					
Interest	38,356	669	888	-	39,913
Other local sources	291,653	125,441	-	2,031	419,125
Totals	<u>\$ 6,861,995</u>	<u>\$ 304,190</u>	<u>\$ 888</u>	<u>\$ 2,031</u>	<u>\$ 7,169,104</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**F. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,671,004	\$ 213,624	\$ -	\$ 5,884,628
Work in progress	1,338,437	980,229	-	2,318,666
<b>Total capital assets not being depreciated</b>	<b>7,009,441</b>	<b>1,193,853</b>	<b>-</b>	<b>8,203,294</b>
<b>Capital assets being depreciated:</b>				
Buildings	64,324,341	-	-	64,324,341
Site improvements	8,505,215	-	-	8,505,215
Equipment	4,442,226	249,071	-	4,691,297
<b>Total capital assets being depreciated</b>	<b>77,271,782</b>	<b>249,071</b>	<b>-</b>	<b>77,520,853</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(21,656,975)	(1,299,102)	-	(22,956,077)
Site improvements	(4,245,936)	(296,974)	-	(4,542,910)
Equipment	(2,553,066)	(316,811)	-	(2,869,877)
<b>Total accumulated depreciation</b>	<b>(28,455,977)</b>	<b>(1,912,887)</b>	<b>-</b>	<b>(30,368,864)</b>
<b>Total capital assets being depreciated, net</b>	<b>48,815,805</b>	<b>(1,663,816)</b>	<b>-</b>	<b>47,151,989</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 55,825,246</b>	<b>\$ (469,963)</b>	<b>\$ -</b>	<b>\$ 55,355,283</b>

Depreciation was charged to functions as follows:

Instruction	\$ 86,619
Instruction-Related Services	5,147
Pupil Services	114,178
General Administration	54,365
Plant Services	1,652,578
	<u>\$ 1,912,887</u>

**G. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2011 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	\$ 97,155
General Fund	Cafeteria Fund	379,207
General Fund	Special Reserve Fund	55,408
County School Facilities Fund	General Fund	23
	<b>Total</b>	<b>\$ 531,793</b>

All amounts due are scheduled to be repaid within one year.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011 consisted of the following:

Transfers From	Transfers To	Amount
Special Reserve Fund	General Fund	\$ 213,625
General Fund	Adult Education Fund	60,000
General Fund	Cafeteria Fund	261,290
General Fund	Special Reserve Fund	610,064
	Total	\$ 1,144,979

H. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Vendor payables	\$ 263,021	\$ 583	\$ 547,734	\$ 811,338
Payroll and related benefits	32,009	10,044	-	42,053
Totals	\$ 295,030	\$ 10,627	\$ 547,734	\$ 853,391

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 15,430,000	\$ -	\$ 1,125,000	\$ 14,305,000	\$ 1,190,000
Capital leases	476,025	-	138,609	337,416	145,455
Net OPEB obligation	946,239	709,047	257,984	1,397,302	-
Compensated absences *	99,362	1,420	-	100,782	100,782
Total governmental activities	\$ 16,951,626	\$ 710,467	\$ 1,521,593	\$ 16,140,500	\$ 1,436,237

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation, at June 30, 2011, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,436,237	\$ 634,801	\$ 2,071,038
2013	1,407,638	570,981	1,978,619
2014	1,354,323	509,452	1,863,775
2015	1,380,000	454,070	1,834,070
2016	1,445,000	394,749	1,839,749
2017-2021	5,970,000	976,954	6,946,954
2022-2026	1,570,000	179,572	1,749,572
2027-2031	180,000	7,560	187,560
Totals	\$ 14,743,198	\$ 3,728,139	\$ 18,471,337

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2011 as follows:

Year Ending June 30:	
2012	\$ 159,200
2013	159,200
2014	39,800
Total Minimum Lease Payments	358,200
Less Amount Representing Interest	(20,784)
Net Present Value of Minimum Lease Payments	\$ 337,416

K. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed financial information of the District's JPA's for the year ended June 30, 2011 was not available as of the date of this report.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

L. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were \$544,525, \$541,345 and \$539,056, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were \$1,320,132, \$1,368,217 and \$1,367,965, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$682,749.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**M. Postemployment Benefits Other Than Pension Benefits**

Plan Description

The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The District maintains the same plan for its retirees as for its active employees with the general exception that benefits end when the retiree attains age 65. Certificated members may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$628 per retiree. Classified members hired prior to July 1, 2005 may retire with District-paid benefits at age 55 with at least 10 years of service with the District. Classified employees hired on or after July 1, 2005 and before July 1, 2008 may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Classified employees hired on or after July 1, 2008 may retire with District-paid benefits at age 55 with at least 20 years of service. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$700 per retiree. Health benefits for management retirees are subject to Board approval, and if approved, they follow the certificated guidelines as described above, except that management retirees do not receive District-paid life insurance. Retired board members do not receive District contributions towards benefits. They are eligible to self-pay for these benefits upon completing a full term of service on the governing board. Membership of the plan consists of approximately 325 eligible active employees, 33 eligible retirees, and excludes employees hired after the valuation date.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010-11, the District contributed \$257,984 to the Plan, which was primarily used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District' annual other post employment 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 Districts annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 723,289
Interest on net OPEB obligation	47,312
Adjustment to annual required contribution	(61,554)
Annual OPEB cost (expense)	<u>709,047</u>
Contribution made	(257,984)
Decrease in net OPEB obligation	451,063
Net OPEB obligation, beginning of year	946,239
Net OPEB obligation, end of year	<u>\$ 1,397,302</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 723,289	36%	\$ 1,397,302

**Funding 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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, 2011 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2011 of 27 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**N. Commitments and Contingencies**

**Litigation**

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CENTRAL UNION HIGH SCHOOL DISTRICT**

**EXHIBIT B-1**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 18,744,614	\$ 19,733,098	\$ 19,857,958	\$ 124,860
Local Sources	3,417,299	3,620,779	3,577,856	(42,923)
Federal Revenue	3,334,192	3,665,200	3,071,540	(593,660)
Other State Revenue	4,351,379	4,764,847	4,566,148	(198,699)
Other Local Revenue	1,675,803	2,236,215	2,291,583	55,368
Total Revenues	<u>31,523,287</u>	<u>34,020,139</u>	<u>33,365,085</u>	<u>(655,054)</u>
Expenditures:				
Current:				
Certificated Salaries	16,553,237	16,626,884	16,268,254	358,630
Classified Salaries	5,075,654	5,173,716	5,002,366	171,350
Employee Benefits	5,554,667	5,449,804	5,285,760	164,044
Books And Supplies	2,260,406	2,945,286	1,445,570	1,499,716
Services And Other Operating Expenditures	3,094,954	3,418,681	2,714,964	703,717
Other Outgo	-	-	6,000	(6,000)
Direct Support/Indirect Costs	(83,598)	(77,598)	(79,207)	1,609
Capital Outlay	165,275	495,005	462,694	32,311
Debt Service:				
Principal	138,609	138,609	138,609	-
Interest	20,591	20,591	20,591	-
Total Expenditures	<u>32,779,795</u>	<u>34,190,978</u>	<u>31,265,601</u>	<u>2,925,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,256,508)</u>	<u>(170,839)</u>	<u>2,099,484</u>	<u>2,270,323</u>
Other Financing Sources (Uses):				
Transfers In	-	825,254	823,689	(1,565)
Transfers Out	(117,652)	(1,146,543)	(1,144,978)	1,565
Total Other Financing Sources (Uses)	<u>(117,652)</u>	<u>(321,289)</u>	<u>(321,289)</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,374,160)</u>	<u>(492,128)</u>	<u>1,778,195</u>	<u>2,270,323</u>
Fund Balance, July 1	12,632,089	12,632,089	12,632,089	-
Fund Balance, June 30	<u>\$ 11,257,929</u>	<u>\$ 12,139,961</u>	<u>\$ 14,410,284</u>	<u>\$ 2,270,323</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**

**EXHIBIT B-2**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Revenue	\$ 1,057,603	\$ 1,057,603	\$ 1,141,565	\$ 83,962
Other State Revenue	223,307	223,603	97,282	(126,321)
Other Local Revenue	567,866	634,295	525,804	(108,491)
Total Revenues	<u>1,848,776</u>	<u>1,915,501</u>	<u>1,764,651</u>	<u>(150,850)</u>
<b>Expenditures:</b>				
Current:				
Classified Salaries	625,061	630,020	634,081	(4,061)
Employee Benefits	191,641	203,722	178,855	24,867
Books And Supplies	10,000	7,370	18,901	(11,531)
Services And Other Operating Expenditures	1,056,128	1,053,619	1,027,098	26,521
Direct Support/Indirect Costs	83,598	83,598	79,207	4,391
Total Expenditures	<u>1,966,428</u>	<u>1,978,329</u>	<u>1,938,142</u>	<u>40,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(117,652)</u>	<u>(62,828)</u>	<u>(173,491)</u>	<u>(110,663)</u>
Other Financing Sources (Uses):				
Transfers In	117,652	261,290	261,290	-
Total Other Financing Sources (Uses)	<u>117,652</u>	<u>261,290</u>	<u>261,290</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>198,462</u>	<u>87,799</u>	<u>(110,663)</u>
Fund Balance, July 1	71,004	71,004	71,004	-
Fund Balance, June 30	<u>\$ 71,004</u>	<u>\$ 269,466</u>	<u>\$ 158,803</u>	<u>\$ (110,663)</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN**  
**YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 5,053,311	\$ 5,053,311	-	\$ 23,554,527	21.5%
6/30/10	-	5,053,311	5,053,311	-	23,015,957	22.0%
6/30/11	-	5,631,360	5,631,360	-	22,063,872	25.5%

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**CENTRAL UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Special Revenue Fund Adult Education Fund	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 122,641	\$ 968,925	\$ 369,901	\$ 1,461,467
Accounts Receivable	73,858	2,031	831	76,720
Total Assets	<u>\$ 196,499</u>	<u>\$ 970,956</u>	<u>\$ 370,732</u>	<u>\$ 1,538,187</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 10,044	\$ -	\$ 4,556	\$ 14,600
Due to Other Funds	97,155	-	-	97,155
Total Liabilities	<u>107,199</u>	<u>-</u>	<u>4,556</u>	<u>111,755</u>
Fund Balance:				
Committed for Adult Education	89,300	-	-	89,300
Restricted Fund Balances	-	970,956	366,176	1,337,132
Total Fund Balance	<u>89,300</u>	<u>970,956</u>	<u>366,176</u>	<u>1,426,432</u>
Total Liabilities and Fund Balances	<u>\$ 196,499</u>	<u>\$ 970,956</u>	<u>\$ 370,732</u>	<u>\$ 1,538,187</u>

**CENTRAL UNION HIGH SCHOOL DISTRICT**

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

	Special Revenue Fund <u>Adult Education Fund</u>	Debt Service Fund <u>Bond Interest &amp; Redemption Fund</u>	Capital Projects Fund <u>Capital Facilities Fund</u>	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Federal Revenue	\$ 59,112	\$ -	\$ -	\$ 59,112
Other State Revenue	-	14,648	-	14,648
Other Local Revenue	156,212	1,153,779	(237,370)	1,072,621
Total Revenues	<u>215,324</u>	<u>1,168,427</u>	<u>(237,370)</u>	<u>1,146,381</u>
<b>Expenditures:</b>				
Instruction	165,764	-	-	165,764
Instruction - Related Services	10,409	-	-	10,409
Pupil Services	16,198	-	-	16,198
General Administration	-	-	27,744	27,744
Plant Services	-	-	18,825	18,825
Debt Service:				
Principal	-	1,125,000	-	1,125,000
Interest	-	676,890	-	676,890
Total Expenditures	<u>192,371</u>	<u>1,801,890</u>	<u>46,569</u>	<u>2,040,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,953</u>	<u>(633,463)</u>	<u>(283,939)</u>	<u>(894,449)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	60,000	-	-	60,000
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Net Change in Fund Balance	82,953	(633,463)	(283,939)	(834,449)
Fund Balance, July 1	6,347	1,604,419	650,115	2,260,881
Fund Balance, June 30	<u>\$ 89,300</u>	<u>\$ 970,956</u>	<u>\$ 366,176</u>	<u>\$ 1,426,432</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

## Supplementary Information Section

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
 LOCAL EDUCATION AGENCY  
 ORGANIZATION STRUCTURE  
 JUNE 30, 2011

The Central Union High School District was established in 1908, and is comprised of an area of El Centro, Heber, and Seeley in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating two high schools. The district also maintains a continuation high school and an adult education program.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jeanne Vogel	President	Four year term Expires November 30, 2014
Lee Hindman	Clerk	Four year term Expires November 30, 2012
Jacinto Jimenez	Member	Four year term Expires November 30, 2012
Steve M. Walker	Member	Four year term Expires November 30, 2012
Emma Jones	Member	Four year term Expires November 30, 2014

Administration

C. Thomas Budde, PHD  
 Superintendent

Sheri Hart  
 Assistant Superintendent

Carol Moreno  
 Director of Human Resources

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2011**

TABLE D-1

	Second Period Report		Annual Report *	
	Original	Revised	Original	Revised
High School:				
Grades 9 through 12, regular classes	3,602.97	3,602.54	3,587.53	3,587.53
Special education	61.25	61.24	60.76	60.76
Continuation education	181.24	181.24	179.05	179.05
High school totals	<u>3,845.46</u>	<u>3,845.02</u>	<u>3,827.34</u>	<u>3,827.34</u>
ADA totals	<u>3,845.46</u>	<u>3,845.02</u>	<u>3,827.34</u>	<u>3,827.34</u>

\* There were no revisions to the Annual Report.

Average daily attendance 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.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF INSTRUCTIONAL TIME  
 YEAR ENDED JUNE 30, 2011

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted &amp; Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted &amp; Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	61,250	N/A	64,800	N/A	65,306	180	-	Complied
Grade 10	61,250	N/A	64,800	N/A	65,306	180	-	Complied
Grade 11	61,250	N/A	64,800	N/A	65,306	180	-	Complied
Grade 12	61,250	N/A	64,800	N/A	65,306	180	-	Complied

Districts, including basic aid 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. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2011**

TABLE D-3

General Fund	(Budget) 2012 (See Note 1)	2011	2010	2009
Revenues and other financial sources	\$ 32,367,968	\$ 33,546,660	\$ 32,140,154	\$ 38,505,008
Expenditures and other uses and transfers out	31,943,403	32,196,955	32,933,659	33,784,362
Change in fund balance (deficit)	424,565	1,349,705	(793,505)	4,720,646
Ending fund balance	\$ 11,285,650	\$ 10,861,085	\$ 9,511,380	\$ 10,304,885
Available reserves	\$ 10,003,606	\$ 9,546,214	\$ 7,684,706	\$ 7,487,026
Available reserves as a percentage of total outgo (See Note 2)	31.3%	29.7%	22.3%	22.2%
Total long-term debt	\$ 14,704,263	\$ 16,140,500	\$ 16,951,626	\$ 17,255,522
Average daily attendance at P-2	3,845	3,845	3,868	4,481

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.

The general fund balance has increased by \$5,276,845 over the past three years. The fiscal year 2011-12 budget projects an increase of \$424,565. For a district this size, the state recommends available reserves of at least 1% of general fund expenditures, other uses and transfers out.

Long-term debt has decreased by \$2,286,517 over the past three years.

Average daily attendance (ADA) has decreased by 636 over the past three years.

**Notes:**

- 1 Budget 2012 is included for analytical purposes only and has not been subjected to audit.
- 2 On behalf payments have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009.

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

TABLE D-4

	General Fund	Special Reserve Fund
June 30, 2011, annual financial and budget report fund balances	\$ 10,861,084	\$ 3,549,200
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB #54 inclusion of special reserve fund with general fund	3,549,200	(3,549,200)
June 30, 2011, audited financial statement fund balances	\$ 14,410,284	\$ -

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2011

TABLE D-5

No charter schools are chartered by Central Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Medi-Cal	93.778	-	\$ 128,302
Total U. S. Department of Health and Human Services			<u>128,302</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
Adult Education	84.002	14508	59,111
Title I *	84.010	14329	1,054,281
Migrant Education	84.011	14326	367,968
Special Education *	84.027	13379	595,640
Vocational Education	84.048	14894	99,938
Title IV Drug Free	84.186	14347	3,753
Title II EETT *	84.318	14334	27,850
Gear Up Program	84.334	10088	26,313
Title III LEP	84.365	10084	100,634
Title II Administrator	84.367	14344	1,962
Title II Teacher Quality	84.367	14341	199,741
ARRA Title II EETT *	84.386	15019	17,048
ARRA Title I *	84.389	15005	131,482
ARRA Special Education *	84.391	15003	104,529
ARRA State Fiscal Stabilization Fund *	84.394	24997	956,331
Total Passed Through State Department of Education			<u>3,746,581</u>
Total U. S. Department of Education			<u>3,746,581</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	1,141,564
Total U. S. Department of Agriculture			<u>1,141,564</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,016,447</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central Union High School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.

## Other Independent Auditor's Reports

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

**Independent Auditor's Report**

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

Board of Trustees  
Central Union High School District  
El Centro, California 92243

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District as of and for the year ended June 30, 2011, which collectively comprise the Central Union High School District's basic financial statements and have issued our report thereon dated October 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Union High School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1.

Central Union High School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Central Union High School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and 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.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
October 5, 2011

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

**Independent Auditor's Report**

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees  
Central Union High School District  
El Centro, California 92243

Members of the Board of Trustees:

Compliance

We have audited Central Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central Union High School District's major federal programs for the year ended June 30, 2011. Central Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central Union High School District's management. Our responsibility is to express an opinion on Central Union High School District's compliance based on our audit.

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

In our opinion, Central Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Central Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Union High School District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
October 5, 2011

**WILKINSON HADLEY KING & CO. LLP**

CPA's and Advisors  
218 W. Douglas Avenue  
El Cajon, California 92020

Independent Auditor's Report on State Compliance

Board of Trustees  
Central Union High School District  
El Centro, California 92243

Members of the Board of Trustees:

We have audited the basic financial statements of the Central Union High School District ("District") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	N/A
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes

Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

In our opinion, Central Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
October 5, 2011

## Findings and Recommendations Section

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.391	Special Education Cluster
84.010, 84.389	Title I Cluster
84.394	ARRA State Fiscal Stabilization Fund
84.365	Title III LEP

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes      No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?      Yes   X   No

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

One or more significant deficiencies identified that are  
are not considered to be material weaknesses?             Yes        X   None Reported

Type of auditor's report issued on compliance  
for state programs:      Unqualified

**B. Financial Statement Findings**

Finding 2011-1 (30000)  
Central Union High School Student Body Fund

Criteria or Specific Requirement

Determine whether internal controls are in place over student body funds that will ensure all student body receipts collected and disbursements paid are properly documented and that all proper transaction procedures are being followed.

Condition

In our review of the disbursements of the Central Union High School Student Body Funds, we noted the following issues related to internal controls: (1) One significant disbursement reviewed was paid from a credit card which was, subsequently reimbursed; however, bonus points were earned and credited to the individual's personal rewards card due to the purchase of hotel rooms. Payments of student body invoices from credit cards should be limited and no rewards or bonuses should be earned by the individual being reimbursed as this is not appropriate. Currently, there does not appear to be any limitation or threshold in the amount an individual can be reimbursed for using a credit card to pay for student body expenses; (2) Two disbursements reviewed were reimbursements for student body products purchased by parents which were subsequently delivered to their residences; (3) One disbursement reviewed was made payable to "Cash" in order to refund students for a fundraising project that did not materialize.

Questioned Costs

None

Recommendation

(1) Establish a limit for the maximum reimbursement for credit cards that are used for student body purchases. Under no circumstances should personal rewards, bonuses or points be earned on rewards cards for student body purchases that are subsequently reimbursed. Proper internal controls should be applied to student body cash disbursements to ensure large invoices are paid by check and not by credit cards. All credit card reimbursements should be properly approved and scrutinized to ensure the disbursements being reimbursed are justified for student body activities; (2) Parents of students should not be allowed to make purchases on behalf of the student body and purchased items should not be delivered to a personal residence. Establish a policy to ensure only designated District employees are allowed to make student body purchases and that all items purchased are delivered to the proper school site location; (3) Implement procedures to ensure no checks are made payable to "Cash" for change funds or cash pay outs. An individual, as a custodian of the account, should be the listed designated payee for all checks that are going to be cashed for currency.

**CENTRAL UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

LEA's Response

Procedures have been implemented at our school based on the recommendations presented by the auditor. All associated student body advisors were directed not to use their personal credit cards for school related purchases, effective immediately. They were also directed to ensure that all school related purchases be delivered directly to the school site. Checks issued through the ASB office will no longer be made out to cash. They will be payable to the advisor or individual staff member, per the auditor's recommendation.

**C. Federal Award Findings and Questioned Costs**

NONE

**D. State Award Findings and Questioned Costs**

NONE

**CENTRAL UNION HIGH SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2010-1 Employee I-9 Forms</p> <p>In examination and testing of employee personnel and payroll records, some I-9 forms were not on file. In addition, one employee did not have the proper supporting verification documents attached to the I-9 form on file.</p> <p>Require all applicable employees to have a completed and signed I-9 form on file for employment eligibility verification. Review all employee records and obtain missing I-9 forms to ensure the forms, with copies of supporting verification documents, are retained and available for audit in future periods.</p>	<p>Implemented</p>	
<p>Finding 2010-2 Interest Earned on Federal Funds</p> <p>In review of the major federal programs selected for compliance testing, the interest earned on the federal funds had not been calculated and submitted in quarterly payments to the California Department of Education as required.</p> <p>Calculate interest earned on federal funds for the entire year and submit the amount calculated to the California Department of Education. In future periods, calculate interest earned each quarter and submit to the agency on a timely basis.</p>	<p>Implemented</p>	