

**ORANGE
UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2010**

christy **WHITE**
A Professional Accountancy Corporation

**ORANGE UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2010
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Board of Trustees
Orange Unified School District
Orange, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange Unified School District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Orange Unified 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2010 on our consideration of the Orange Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2010 on our consideration of the Orange Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12, the budgetary comparison schedule on page 53, and the schedule of funding progress on page 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orange Unified School District's basic financial statements. The combining and individual non-major fund financial statements, the schedule of financial trends and analysis, and the schedule of expenditures of federal awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christine A. Accenturay Corporation

San Diego, California

October 19, 2010

Management's Discussion and Analysis

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

This discussion and analysis of Orange Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's transmittal letter, notes to the basic financial statements and the basic government wide financial statements to enhance their understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS

- The comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Orange Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column.
- The major funds for Orange Unified School District are the General Fund, the County School Facilities Fund, the Special Reserve for Capital Outlay Fund, and the Debt Service Fund.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Revenues decreased by \$38.9 million to a total of \$240.5 million. Total revenues exceeded expenses of \$222.1 million by \$18.4 million.
- General revenues accounted for \$174.4 million or 72.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$66.1 million or 27.5% of total revenues of \$240.5 million.
- Long-term outstanding debt has decreased by \$5.6 million or 3.0% due to the annual long-term debt payments.
- Enrollment in the District increased by 89.
- The General Fund reported a positive fund balance of \$37.9 million; this reflects no significant change from prior year ending fund balance of 38.0 million.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Change in Net Assets

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component of this evaluation.

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

Governmental activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. These statements provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and retiree health benefits held in trust. The District's fiduciary activities are reported in separate *Statement of Net Assets and Liabilities*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$136.0 million for the fiscal year ended June 30, 2010. Of this amount, unrestricted net assets were \$15.4 million. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and changes in net assets (Table A-2) of the District's governmental activities.

Table A-1
Orange Unified School District's Net Assets

| | (in millions) | | Total |
|--------------------------|-------------------------|-----------------|------------|
| | Governmental Activities | | Percentage |
| | 2009 | 2010 | Change |
| | 2009 | 2010 | 2009-10 |
| Current assets | \$ 125.7 | \$ 113.9 | -9% |
| Noncurrent assets | 205.1 | 222.5 | 8% |
| Total assets | 330.8 | 336.4 | 2% |
| Current liabilities | 24.6 | 23.7 | -4% |
| Noncurrent liabilities | 188.6 | 176.7 | -6% |
| Total liabilities | 213.2 | 200.4 | -6% |
| Total net assets | \$ 117.6 | \$ 136.0 | 16% |

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 14. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

Table A-2
Changes in Orange Unified School District's Net Assets

| | <u>Governmental Activities</u> | | <u>Total</u> |
|------------------------------------|--------------------------------|----------------|--|
| | <u>2009</u> | <u>2010</u> | <u>Percentage</u> <u>Change</u> <u>2009-10</u> |
| Revenues: | | | |
| <i>Program revenues</i> | | | |
| Charges for services | \$ 11.7 | \$ 9.0 | -23% |
| Operating grants and contributions | 72.6 | 54.6 | -25% |
| Capital grants and contributions | 13.1 | 2.5 | -81% |
| <i>General revenues</i> | | | |
| Property taxes | 122.9 | 121.1 | -1% |
| Other revenues | 59.1 | 53.3 | -10% |
| Total revenues | <u>279.4</u> | <u>240.5</u> | -14% |
| Expenses: | | | |
| Instruction-related | 196.9 | 163.0 | -17% |
| Student support services | 25.9 | 23.6 | -9% |
| Maintenance and operations | 24.0 | 20.3 | -15% |
| Administration | 8.7 | 6.8 | -22% |
| Other expenses | 9.1 | 8.4 | -8% |
| Total expenses | <u>264.6</u> | <u>222.1</u> | -16% |
| Change in net assets | <u>\$ 14.8</u> | <u>\$ 18.4</u> | 24% |

Governmental Activities

As reported in the Statement of Activities on page 14, the cost of all our governmental activities this year was \$222.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$155.9 million because the cost was paid by those who benefited from the programs (\$8.9 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$57.1 million).

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, as shown in Table A-3 below, the District had \$206.1 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents an increase of just over \$11.2 million or 5.7% from last year.

Table A-3
Orange Unified School District's Capital Assets

| | Governmental Activities | | Total |
|-----------------------------|--------------------------------|-----------------|--|
| | 2009 | 2010 | Percentage Change 2009-10 |
| Land | \$ 19.7 | \$ 19.7 | 0% |
| Site improvements | 10.8 | 11.0 | 2% |
| Buildings | 100.0 | 102.8 | 3% |
| Furniture and equipment | 9.0 | 9.1 | 1% |
| Construction in progress | 55.4 | 63.5 | 15% |
| Total capital assets | \$ 194.9 | \$ 206.1 | 6% |

As of June 30, 2010, the District had invested more than \$145.0 million, net of depreciation, in broad range of capital assets, including building, furniture, computer equipment, and vehicles. During the fiscal year, the District continued the modernization of 11 schools namely: Fairhaven Elementary School, Jordan Elementary School, Lampson Elementary School, Sycamore Elementary School, Cerro Villa Middle School, Portola Middle School, Santiago Charter School, Yorba Middle School, El Modena High School, Orange High School, Villa Park High school. It is anticipated that all of these modernization projects will be completed in the 2010-11 fiscal year.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of this year, as shown in Table A-4 below, the District has \$182.9 million in long-term debt versus \$188.5 million last year, which is a decrease of 3.0%. Those long-term liabilities consisted of:

Table A-4
Orange Unified School District's Long-Term Debt

| | Governmental Activities | | Total |
|-------------------------------|--------------------------------|-----------------|-------------------|
| | 2009 | 2010 | Percentage |
| | | | Change |
| | | | 2009-10 |
| Compensated absences | \$ 3.1 | \$ 3.1 | 0% |
| Certificates of participation | 50.5 | 50.0 | -1% |
| Capital leases | 11.8 | 11.1 | -6% |
| Special tax revenue bonds | 21.1 | 19.8 | -6% |
| Retiree health benefits bonds | 93.8 | 92.7 | -1% |
| Supplementary retirement plan | 8.2 | 6.2 | -24% |
| Child development portables | - | - | 0% |
| Total long-term debt | \$ 188.5 | \$ 182.9 | -3% |

The overall long-term debt decreased by \$5.6 million to \$182.9 million. The \$92.6 million in retiree benefits bonds is offset by the net other postemployment benefits (OPEB) asset of \$77.5 million as reported on the Statement of Net Assets on page 14, which resulted from the transfer of the retiree benefits bond proceeds into the Retiree Benefits Fund in 2007-08. Compensated absences had no material change, which agreed with the District's projection and budget allowances. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The total budgeted attendance of 26,935 (not including District charter schools, county special education, and county community day schools) reflects an anticipated gain of 46.50 ADA offset by the loss of 113 in declining enrollment projection. District charter schools' ADA of 2,085.30 also reflects a slight increase of 1.99 as compared to prior year. The Budget for 2010-11 includes a reduction of 3.85% to the undeficit base revenue limit, of \$246 per ADA. In addition, a negative .39% cost of living adjustment (COLA) with an 18.35% deficit is also included.

Expenditures are projected to decrease due to reduction in staffing, programs, and proposed compensation reduction through a combination of monetary adjustments and furlough days.

The District provides Class Size Reduction program Option 1 to Grades 1-2 and Option 2 to Grade K. Average staffing ratios for all grade levels are shown in the table below:

| | <u>Staffing Ratio</u> |
|-----------------------------|-----------------------|
| Grades K through two | 30:1 |
| Grades three through six | 33:1 |
| Grades seven through twelve | 33:1 |

The new items specifically addressed in the budget are:

| | <u>% Change</u> |
|---|-----------------|
| Revenue limit cost-of-living adjustment | -0.39% |
| Revenue limit deficit | 18.35% |
| State and federal cost-of-living adjustment | 0.00% |
| Health and welfare increase | 0.00% |

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately \$25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately \$6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit fact offsets the loss keeping funding levels in 2010-11 the same of 2009-10, and without the \$253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Other Factors

Enrollment

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the Orange Unified School District budget for the 2010-11 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent, Administrative Services, at Orange Unified School District, 1401 North Handy Street, Orange, CA 92867, or via e-mail at mchristensen@orangeusd.org.

Financial Section

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

| | Total Governmental Activities |
|--|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 86,582,422 |
| Accounts receivable | 26,150,053 |
| Inventories | 235,949 |
| Prepaid expenses | 972,742 |
| Total current assets | <u>113,941,166</u> |
| Noncurrent assets: | |
| Net OPEB asset | 77,476,436 |
| Capital assets: | |
| Land | 19,687,697 |
| Site improvements | 10,952,382 |
| Buildings | 102,822,561 |
| Furniture and equipment | 9,096,350 |
| Construction in progress | 63,476,714 |
| Less accumulated depreciation | <u>(60,988,255)</u> |
| Total capital assets, net of depreciation | <u>145,047,449</u> |
| Total noncurrent assets | <u>222,523,885</u> |
| Total assets | <u>336,465,051</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 16,219,747 |
| Deferred revenue | 1,277,909 |
| Certificates of participation payable, current | 645,000 |
| Capital leases payable, current | 766,394 |
| Special tax revenue bonds, current | 1,400,000 |
| Retirement health benefits funding bonds, current | 1,300,000 |
| Supplementary retirement plan, current | 2,058,534 |
| Child development portables, current | 12,362 |
| Total current liabilities | <u>23,679,946</u> |
| Noncurrent liabilities: | |
| Compensated absences payable, noncurrent | 3,102,174 |
| Certificates of participation payable, noncurrent | 49,350,000 |
| Capital leases payable, noncurrent | 10,360,254 |
| Special tax revenue bonds, noncurrent | 18,420,000 |
| Retirement health benefits funding bonds, noncurrent | 91,365,000 |
| Supplementary retirement plan, noncurrent | 4,117,068 |
| Child development portables | 12,362 |
| Total noncurrent liabilities | <u>176,726,858</u> |
| Total liabilities | <u>200,406,804</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 72,277,591 |
| Restricted for: | |
| Capital projects | 26,979,807 |
| Debt service | 11,169,772 |
| Educational programs | 13,182,396 |
| Unrestricted | 12,448,681 |
| Total net assets | <u>\$ 136,058,247</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Instructional services: | | | | | |
| Instruction | \$ 135,002,433 | \$ 2,336,527 | \$ 31,088,805 | \$ 2,472,946 | \$ (99,104,155) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 7,066,344 | 115,886 | 5,483,011 | - | (1,467,447) |
| Instructional library, media and technology | 4,306,567 | 177,184 | 950,467 | - | (3,178,916) |
| School site administration | 16,656,304 | 592,190 | 321,513 | - | (15,742,601) |
| Pupil support services: | | | | | |
| Home-to-school transportation | 6,829,189 | 250,271 | 5,012,485 | - | (1,566,433) |
| Food services | 7,340,853 | 2,302,429 | 5,666,962 | - | 628,538 |
| All other pupil services | 9,363,332 | 260,766 | 2,219,571 | - | (6,882,995) |
| General administration services: | | | | | |
| Data processing services | 1,092,250 | - | 308,926 | - | (783,324) |
| Other general administration | 5,688,671 | 138,398 | 1,172,377 | - | (4,377,896) |
| Plant services | 20,266,609 | 66,553 | 678,883 | - | (19,521,173) |
| Ancillary services | 1,505,398 | - | 71,849 | - | (1,433,549) |
| Community services | 105,975 | - | - | - | (105,975) |
| Interest on long-term debt | 4,948,252 | - | - | - | (4,948,252) |
| Other outgo | 1,872,756 | 2,752,069 | 1,674,456 | - | 2,553,769 |
| Total governmental activities | <u>\$ 222,044,933</u> | <u>\$ 8,992,273</u> | <u>\$ 54,649,305</u> | <u>\$ 2,472,946</u> | <u>(155,930,409)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 117,266,532 |
| Property taxes, levied for other specific purposes | | | | | 3,814,325 |
| Federal and state aid not restricted to specific purpose | | | | | 44,203,878 |
| Interest and investment earnings | | | | | 864,683 |
| Interagency revenues | | | | | 2,400,052 |
| Miscellaneous | | | | | 5,814,640 |
| | | | | | <u>Total general revenues</u> |
| | | | | | 174,364,110 |
| | | | | | <u>Change in net assets</u> |
| | | | | | 18,433,701 |
| | | | | | <u>Net assets - July 1, 2009</u> |
| | | | | | 117,624,546 |
| | | | | | <u>Net assets - June 30, 2010</u> |
| | | | | | <u>\$ 136,058,247</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

| | General Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------|----------------------|----------------------------------|---|----------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 26,683,178 | \$ 1,834,394 | \$ 20,694,018 | \$ 11,162,256 | \$ 18,272,290 | \$ 78,646,136 |
| Accounts receivable | 18,174,843 | 2,471,391 | 16,306 | 7,516 | 539,984 | 21,210,040 |
| Due from other funds | 5,564,356 | 741,622 | 2,470,000 | - | 21,922 | 8,797,900 |
| Inventories | 87,323 | - | - | - | 148,626 | 235,949 |
| Total assets | <u>\$ 50,509,700</u> | <u>\$ 5,047,407</u> | <u>\$ 23,180,324</u> | <u>\$ 11,169,772</u> | <u>\$ 18,982,822</u> | <u>\$ 108,890,025</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 11,182,822 | \$ 156 | \$ 2,071,568 | \$ - | \$ 963,936 | \$ 14,218,482 |
| Due to other funds | 107,719 | 2,470,000 | 741,746 | - | 647,561 | 3,967,026 |
| Deferred revenue | 1,277,909 | - | - | - | - | 1,277,909 |
| Total liabilities | <u>12,568,450</u> | <u>2,470,156</u> | <u>2,813,314</u> | <u>-</u> | <u>1,611,497</u> | <u>19,463,417</u> |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Inventories | 87,323 | - | - | - | 148,626 | 235,949 |
| Revolving cash | 125,000 | - | - | - | 10,000 | 135,000 |
| Debt service | - | - | - | 11,169,772 | - | 11,169,772 |
| Categorical programs | 13,182,396 | - | - | - | - | 13,182,396 |
| Unreserved; reported in: | | | | | | |
| General fund | 24,546,531 | - | - | - | - | 24,546,531 |
| Special revenue funds | - | - | - | - | 4,980,639 | 4,980,639 |
| Capital project funds | - | 2,577,251 | 20,367,010 | - | 12,232,060 | 35,176,321 |
| Total fund balances | <u>37,941,250</u> | <u>2,577,251</u> | <u>20,367,010</u> | <u>11,169,772</u> | <u>17,371,325</u> | <u>89,426,608</u> |
| Total liabilities and fund balances | <u>\$ 50,509,700</u> | <u>\$ 5,047,407</u> | <u>\$ 23,180,324</u> | <u>\$ 11,169,772</u> | <u>\$ 18,982,822</u> | <u>\$ 108,890,025</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds \$ 89,426,608

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is \$206,035,704 and the accumulated depreciation is (\$60,988,255). 145,047,449

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was: 77,476,436

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (529,207)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in assets on the government-wide statement of net assets are: 972,742

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 consist of:

| | | | |
|--|----|------------|---------------|
| Compensated absences payable | \$ | 3,102,174 | |
| Certificates of participation payable | | 49,995,000 | |
| Capital leases payable | | 11,126,648 | |
| Special tax revenue bonds | | 19,820,000 | |
| Retirement health benefits funding bonds | | 92,665,000 | |
| Supplementary retirement plan | | 6,175,602 | |
| Other general long-term debt | | 24,724 | |
| | | 24,724 | (182,909,148) |

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are: 6,573,367

Total net assets - governmental activities **\$ 136,058,247**

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2010

| | General Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|--------------------|----------------------------------|---|----------------------|------------------------------------|--------------------------------|
| REVENUES | | | | | | |
| General revenues: | | | | | | |
| Property taxes | \$ 118,449,679 | \$ - | \$ - | \$ - | \$ 2,631,177 | \$ 121,080,856 |
| Federal and state aid not restricted to specific purpose | 44,203,878 | - | - | - | - | 44,203,878 |
| Interest and investment earnings | 405,908 | 44,271 | 239,316 | 123,939 | 51,249 | 864,683 |
| Interagency revenues | 2,355,952 | - | - | - | 44,100 | 2,400,052 |
| Miscellaneous | 1,100,467 | - | 224,122 | 3,962,414 | 527,632 | 5,814,635 |
| Program revenues: | | | | | | |
| Charges for services | 1,816,016 | - | - | - | 7,176,257 | 8,992,273 |
| Operating grants and contributions | 47,567,503 | - | - | - | 7,081,800 | 54,649,303 |
| Capital grants and contributions | - | 2,472,946 | - | - | - | 2,472,946 |
| Total revenues | 215,899,403 | 2,517,217 | 463,438 | 4,086,353 | 17,512,215 | 240,478,626 |
| EXPENDITURES | | | | | | |
| Instructional services: | | | | | | |
| Instruction | 138,973,380 | - | - | - | 4,387,660 | 143,361,040 |
| Instruction-related services: | | | | | | |
| Supervision of instruction | 7,610,309 | - | - | - | 8,928 | 7,619,237 |
| Instructional library, media and technology | 4,306,544 | - | - | - | 24 | 4,306,568 |
| School site administration | 15,729,613 | - | - | - | 926,690 | 16,656,303 |
| Pupil support services: | | | | | | |
| Home-to-school transportation | 6,528,111 | - | - | - | - | 6,528,111 |
| Food services | 3,725 | - | - | - | 7,392,592 | 7,396,317 |
| All other pupil services | 9,361,755 | - | - | - | 1,577 | 9,363,332 |
| General administration services: | | | | | | |
| Data processing services | 1,092,250 | - | - | - | - | 1,092,250 |
| Other general administration | 5,367,523 | - | - | - | 321,147 | 5,688,670 |
| Plant services | | | | | | |
| Facility acquisition and construction | 269,144 | 1,868,591 | 8,275,578 | - | 928,178 | 11,341,491 |
| Ancillary services | 1,505,398 | - | - | - | - | 1,505,398 |
| Community services | 105,975 | - | - | - | - | 105,975 |
| Other outgo: | | | | | | |
| Transfers between agencies | 1,872,750 | - | - | - | 6 | 1,872,756 |
| Debt service - principal | 1,736,631 | - | - | 505,000 | 1,374,598 | 3,616,229 |
| Debt service - interest | 1,617,373 | - | - | 2,299,294 | 1,055,106 | 4,971,773 |
| Total expenditures | 216,228,622 | 1,868,591 | 8,275,578 | 2,804,294 | 16,514,975 | 245,692,060 |
| Excess (deficiency) of revenues over (under) expenditures | (329,219) | 648,626 | (7,812,140) | 1,282,059 | 997,240 | (5,213,434) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | 294,882 | 2,110,667 | 4,434,034 | - | 2,375,190 | 9,214,773 |
| Interfund transfers out | - | (4,434,034) | (2,110,667) | - | (2,670,072) | (9,214,773) |
| All other financing sources | - | - | - | - | 6 | 6 |
| Total other financing sources and uses | 294,882 | (2,323,367) | 2,323,367 | - | (294,876) | 6 |
| Net change in fund balances | (34,337) | (1,674,741) | (5,488,773) | 1,282,059 | 702,364 | (5,213,428) |
| Fund balances, July 1, 2009 | 37,975,587 | 4,251,992 | 25,855,783 | 9,887,713 | 16,668,961 | 94,640,036 |
| Fund balances, June 30, 2010 | \$ 37,941,250 | \$ 2,577,251 | \$ 20,367,010 | \$ 11,169,772 | \$ 17,371,325 | \$ 89,426,608 |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2010

Total net change in fund balances - governmental funds \$ (5,213,428)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is 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 | \$ 11,095,878 | |
| Depreciation expense | <u>(2,574,482)</u> | 8,521,396 |

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 3,616,230

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. This year, the difference between OPEB costs and actual employer contributions was: 8,899,172

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-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: 23,520

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). (24,617)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 2,058,534

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. 552,894

Change in net assets of governmental activities \$ 18,433,701

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Fund Net Assets – Proprietary Funds
June 30, 2010

| | Governmental Activities: Internal Service Fund |
|--|---|
| ASSETS | |
| Cash | \$ 7,936,286 |
| Due from other funds | 52,835 |
| Accounts receivable | 8,933 |
| Total assets | <u>7,998,054</u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 1,424,043 |
| Due to other funds | 644 |
| Total liabilities | <u>1,424,687</u> |
| NET ASSETS | |
| Unrestricted | 6,573,367 |
| Total net assets | <u>\$ 6,573,367</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | Governmental Activities: Internal Service Fund |
|---|---|
| OPERATING REVENUES | |
| Charges to other funds | \$ 1,907,551 |
| Total operating revenues | <u>1,907,551</u> |
| OPERATING EXPENSES | |
| Classified salaries | 144,274 |
| Employee benefits | 48,909 |
| Books and supplies | 1,165 |
| Services and other operating expenditures | 1,247,797 |
| Total operating expenses | <u>1,442,145</u> |
| Operating income | 465,406 |
| NON-OPERATING REVENUES | |
| Interest income | <u>87,488</u> |
| Change in net assets | 552,894 |
| Net assets, July 1, 2009 | <u>6,020,473</u> |
| Net assets, June 30, 2010 | <u>\$ 6,573,367</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | Governmental Activities: Internal Service Fund |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from assessments made to other funds | \$ 1,855,404 |
| Cash payments for payroll, insurance and operating costs | (1,484,133) |
| Net cash provided by operating activities | <u>371,271</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 83,727 |
| Net cash provided by investing activities | <u>83,727</u> |
| Net increase in cash | 454,998 |
| Cash, July 1, 2009 | <u>7,481,288</u> |
| Cash, June 30, 2010 | <u>\$ 7,936,286</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | |
| Operating income | \$ 465,406 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Changes in assets and liabilities: | |
| (Increase) in internal activity | (52,147) |
| (Decrease) in accounts payable and current liabilities | (41,988) |
| Net cash provided by operating activities | <u>\$ 371,271</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2010

| | Trust Fund | Agency Funds | |
|-----------------------|--------------------------|-----------------------|-----------------------|
| | Retiree Benefits Fund | Student Body Funds | Total |
| ASSETS | | | |
| Cash | \$ 9,189,959 | \$ 1,968,057 | \$ 11,158,016 |
| Investments | 98,077,512 | - | 98,077,512 |
| Accounts receivable | 6,768 | - | 6,768 |
| Due from other funds | 48,016 | - | 48,016 |
| Total assets | <u>107,322,255</u> | <u>1,968,057</u> | <u>109,290,312</u> |
| LIABILITIES | | | |
| Accounts payable | 757 | - | 757 |
| Due to other funds | 4,931,081 | - | 4,931,081 |
| Due to student groups | - | 1,968,057 | 1,968,057 |
| Total liabilities | <u>4,931,838</u> | <u>\$ 1,968,057</u> | <u>6,899,895</u> |
| NET ASSETS | <u>\$ 102,390,417</u> | | <u>\$ 102,390,417</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets – Trust Funds
For the Fiscal Year Ended June 30, 2010

| | Trust Fund |
|---|----------------------------------|
| | <u>Retiree Benefits Fund</u> |
| ADDITIONS | |
| Interest | \$ 77,882 |
| Net increase in fair value of investments | 12,945,776 |
| In-District premiums/contributions | 1,697,585 |
| Total additions | <u>14,721,243</u> |
| DEDUCTIONS | |
| Operating expenditures | <u>3,700,000</u> |
| Total deductions | <u>3,700,000</u> |
| Change in net assets | 11,021,243 |
| Net assets held in trust - July 1, 2009 | <u>91,369,174</u> |
| Net assets held in trust - June 30, 2010 | <u>\$ 102,390,417</u> |

The notes to financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

Orange Unified School District (the 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

Financial Presentation:

For financial presentation purposes, the component units' financial activity will be blended, or combined, with the financial data of the District. The financial statements will present the component units' financial activity within the Capital Projects Fund. Certificates of Participation and Bonded Debt issued by the component units will be included in the long-term liabilities on the Statement of Net Assets. Separate financial statements for the individual component units are not prepared.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. **Basis of Presentation**

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the district finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary and fiduciary funds.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.
- The *Special Reserve for Capital Outlay Fund* is used to account for funds set aside for capital outlay projects and financial activity for certificates of participation.
- The *Debt Service Fund* is used to account for the repayment of bonds issued for the District.

Non-major Governmental Funds:

- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains six non-major special revenue funds:
 1. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
 2. The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.
 3. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
 4. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
 5. The *Special Reserve Fund (Other than Capital Outlay)* is used to set aside funds for general operating purposes.
 6. The *Special Reserve Fund (Insurance Fund)* is used to account for funds set aside for the District's workers' compensation, medical and dental insurance programs. This fund is reported as an internal service fund on the District's Annual Financial and Budget report.
- *Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three non-major capital project funds:
 1. The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
 2. The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
 3. The *Capital Projects Fund for Blended Component Units* is used to account for the financial activity of the various Community Facilities Districts (CFDs).

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Non-major Governmental Funds (continued):

- *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:
 1. The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Proprietary Funds:

- *Internal Service Funds* are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Internal Service Fund, which is more fully discussed in Note 10.

Fiduciary Funds:

- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District. The District also maintains an account to pay for the District's sponsored Internal Revenue Code (IRC) Section 125 cafeteria plan for employee benefits.
- *Trust Funds* are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The District maintains one other postemployment benefit plan trust fund, the Retiree Benefits Trust Fund.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the supplementary information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. 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.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

2. Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical 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."

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$50,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 25-50 years |
| Furniture and Equipment | 15-20 years |
| Vehicles | 8 years |

4. 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 exceed qualified expenditures.

5. Compensated Absences

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

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 because 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.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued and any premiums or discounts are reported as other financing sources and uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. New GASB Pronouncements

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

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

| | Governmental Funds | Proprietary Funds | Fiduciary Funds |
|---------------------------------|-----------------------|-------------------|--------------------|
| Cash in county treasury | \$ 67,460,548 | \$ 7,836,286 | \$ 9,138,187 |
| Cash on hand and in banks | 40,234 | 100,000 | 1,968,057 |
| Cash with fiscal agent | 10,627,019 | - | 98,077,512 |
| Cash in revolving fund | 135,000 | - | - |
| Collections awaiting deposit | 383,335 | - | 51,772 |
| Total cash and cash equivalents | \$ 78,646,136 | \$ 7,936,286 | \$ 109,235,528 |

Policies and Practices

Governmental agencies in the state of California are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

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

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Orange County Investment Pool with a fair value of approximately \$85,279,372 and an amortized book value of \$84,435,021.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Orange County Investment Pool is rated from A to AAA by Moody's Investors Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$2,243,291 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining was collateralized with securities held by the pledging financial institution's trust department or agency.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

| | Governmental Funds | Proprietary Funds | Fiduciary Funds |
|---------------------------|-----------------------|----------------------|--------------------|
| Federal | \$ 6,078,431 | \$ - | \$ - |
| State categorical | 6,302,674 | - | - |
| Other | 8,828,935 | 8,933 | 6,768 |
| Total accounts receivable | <u>\$ 21,210,040</u> | <u>\$ 8,933</u> | <u>\$ 6,768</u> |

NOTE 4 – INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. 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/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 among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (continued)

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2010 are as follows:

| | Due To Other Funds | | | | | | Total |
|--|--------------------|-------------------------------|--|------------------------------|---------------------|-----------------------|---------------------|
| | General Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Self Insurance Fund | Retiree Benefits Fund | |
| General Fund | \$ - | \$ - | \$ 78 | \$ 632,689 | \$ 508 | \$ 4,931,081 | \$ 5,564,356 |
| Self Insurance Fund | 45,060 | - | 24 | 7,751 | - | - | 52,835 |
| Retiree Benefits Fund | 40,737 | - | 22 | 7,120 | 137 | - | 48,016 |
| County School Facilities Fund | - | - | 741,622 | - | - | - | 741,622 |
| Special Reserve Fund for Capital Outlay Projects | - | 2,470,000 | - | - | - | - | 2,470,000 |
| Other Governmental Funds | 21,922 | - | - | - | - | - | 21,922 |
| Total | \$ 107,719 | \$ 2,470,000 | \$ 741,746 | \$ 647,560 | \$ 645 | \$ 4,931,081 | \$ 8,898,751 |

| | |
|---|---------------------|
| Due from the Adult Education fund to the General Fund for employee benefits and indirect cost | \$ 372 |
| Due from the Child Development fund to the General Fund for indirect cost, transportation, postage, bank charges, books, payroll, and employee benefits | 144,803 |
| Due from the Child Development fund to the Self Insurance fund for workers compensation | 3,717 |
| Due from the Child Development fund to the Retirement Fund for retirement benefits | 3,416 |
| Due from the Child Nutrition fund to the General Fund for indirect cost, maintenance, printing, postage, bank charges, and employee benefits | 485,485 |
| Due from the Child Nutrition fund to the Self Insurance fund for workers compensation | 3,533 |
| Due from the Child Nutrition fund to the Retirement Fund for retirement benefits | 3,251 |
| Due from the Capital Facilities fund to the General fund for postage, maintenance, and employee benefits | 2,029 |
| Due from the Capital Facilities fund to the Self Insurance fund for workers compensation | 500 |
| Due from the Capital Facilities fund to the Retirement Fund for retirement benefits | 454 |
| Due from the School Facilities fund to the Special Reserve Fund for Modernization Projects | 2,470,000 |
| Due from the Special Reserve fund for Capital Outlay to the General Fund for postage and employee benefits | 78 |
| Due from the Special Reserve fund for Capital Outlay to the School Facilities Fund for Modernization Projects | 741,622 |
| Due from the Special Reserve fund for Capital Outlay to the Self Insurance fund for workers compensation | 24 |
| Due from the Special Reserve fund for Capital Outlay to the Retirement for retirement benefits | 22 |
| Due from the Self Insurance fund to the General fund for employee benefits and bank charges | 508 |
| Due from the Self Insurance fund to the Retirement Fund for retirement benefits | 137 |
| Due from the General Fund to Child Development fund for employee benefits | 18,696 |
| Due from the General Fund to Capital Facilities fund for phone, and employee benefits | 3,226 |
| Due from the General Fund to Self Insurance fund for payroll, employee benefits, and workers compensation | 45,060 |
| Due from the General Fund to Retiree Benefits fund for retiree cost | 40,737 |
| Due from the Retiree Benefits to General Fund for retiree cost | 4,931,081 |
| | \$ 8,898,751 |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009-10 fiscal year are as follows:

| | <u>Transfers to Other Funds</u> | | | Total |
|---|-------------------------------------|--|------------------------------------|---------------------|
| | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | |
| General Fund | \$ - | \$ - | \$ 294,882 | \$ 294,882 |
| Special Reserve for Capital Outlay Fund | 4,434,034 | - | - | 4,434,034 |
| County School Facilities Fund | - | 2,110,667 | - | 2,110,667 |
| Other Governmental Funds | - | - | 2,375,190 | 2,375,190 |
| Total | <u>\$ 4,434,034</u> | <u>\$ 2,110,667</u> | <u>\$ 2,670,072</u> | <u>\$ 9,214,773</u> |
| Child Nutrition Fund to General Fund for Indirect Cost 03-04 & 05-06 | | | | \$ 294,882 |
| County School Facilities Fund to Special Reserve Fund for Modernization Projects | | | | 4,434,034 |
| Special Reserve Fund for Capital Outlay Projects to the County School Facilities Fund for Modernization Projects-District Match | | | | 2,110,667 |
| Capital Projects Fund for Blended Component Units to Debt Service Fund for Blended Component Unit for Debt Service Payments | | | | 2,375,190 |
| | | | | <u>\$ 9,214,773</u> |

NOTE 5 – FUND BALANCES

The following fund balance amounts were designated by the District's governing board as of June 30, 2010, as follows:

| | <u>General Fund</u> |
|---------------------------------|----------------------|
| Economic uncertainties | \$ 6,486,859 |
| El Rancho Charter | 2,147,981 |
| Non-resident tuition | 56,127 |
| Instructional Materials | 263,769 |
| Schoolsite department donations | 490,260 |
| Medi-Cal Billing Option | 714,399 |
| English Language Acquisition | 186,299 |
| EIA | 1,246,082 |
| QEIA | 1,728,058 |
| State Fiscal Stabilization | 6,349,421 |
| Total designations | <u>\$ 19,669,255</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

| | Beginning Balance <u>July 1, 2009</u> | Additions | Deletions | Ending Balance <u>June 30, 2010</u> |
|--------------------------------|---|----------------------|---------------------|---|
| Land | \$ 19,687,697 | - | \$ - | \$ 19,687,697 |
| Site improvements | 10,781,200 | 171,182 | - | 10,952,382 |
| Buildings | 100,007,901 | 2,814,660 | - | 102,822,561 |
| Furniture and equipment | 9,037,908 | 58,442 | - | 9,096,350 |
| Construction in progress | 55,425,120 | 11,341,492 | 3,289,898 | 63,476,714 |
| Total at historical cost | <u>\$ 194,939,826</u> | <u>\$ 14,385,776</u> | <u>\$ 3,289,898</u> | <u>\$ 206,035,704</u> |
| Less accumulated depreciation: | | | | |
| Site improvements | 8,844,741 | 344,471 | - | 9,189,212 |
| Buildings | 44,064,699 | 1,932,692 | - | 45,997,391 |
| Furniture and equipment | 5,504,333 | 297,319 | - | 5,801,652 |
| Total accumulated depreciation | <u>58,413,773</u> | <u>2,574,482</u> | <u>-</u> | <u>60,988,255</u> |
| Total capital assets, net | <u>\$ 136,526,053</u> | <u>\$ 11,811,294</u> | <u>\$ 3,289,898</u> | <u>\$ 145,047,449</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010, is shown below.

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 | Amounts Due Within One Year |
|--|-------------------------|------------------|---------------------|--------------------------|--------------------------------|
| Certificates of participation | \$ 50,500,000 | \$ - | \$ 505,000 | \$ 49,995,000 | \$ 645,000 |
| Compensated absences | 3,077,557 | 24,617 | - | 3,102,174 | - |
| Capital leases | 11,800,516 | - | 673,868 | 11,126,648 | 766,394 |
| Special tax revenue bonds | 21,145,000 | - | 1,325,000 | 19,820,000 | 1,400,000 |
| Retirement health benefits funding bonds | 93,765,000 | - | 1,100,000 | 92,665,000 | 1,300,000 |
| Supplementary retirement plan | 8,234,136 | - | 2,058,534 | 6,175,602 | 2,058,534 |
| Child development portables | 37,086 | - | 12,362 | 24,724 | 12,362 |
| Total long-term debt | <u>\$ 188,559,295</u> | <u>\$ 24,617</u> | <u>\$ 5,674,764</u> | <u>\$ 182,909,148</u> | <u>\$ 6,182,290</u> |

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2010 amounted to \$3,102,174. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

The school financing agreement, dated May 1, 2003, is between the Orange Unified School District as the “lessee” and the Orange Schools Financing Corporation as the “lessor” or “corporation”. The Corporation is a legally separate entity, which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to the district.

The Corporation’s funds for acquiring these items were generated by the issuance of \$53,000,000 of Certificates of Participation (COPs). COPs are long-term debt instruments, which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

Lease Payments – Lease payments are required to be made by the District under the lease agreement each June 1 through June 1, 2029. Lease payments will be funded in part from the proceeds of the Certificates. Interest rates range from 2% to 4.5% for the length of the issuance.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates of participation, outstanding as of June 30, 2010, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 2010-2011 | \$ 645,000 | \$ 2,282,881 | \$ 2,927,881 |
| 2011-2012 | 795,000 | 2,260,306 | 3,055,306 |
| 2012-2013 | 955,000 | 2,232,481 | 3,187,481 |
| 2013-2014 | 1,125,000 | 2,196,669 | 3,321,669 |
| 2014-2015 | 1,305,000 | 2,153,356 | 3,458,356 |
| 2015-2020 | 9,650,000 | 9,778,268 | 19,428,268 |
| 2020-2025 | 16,255,000 | 7,013,859 | 23,268,859 |
| 2025-2029 | 19,265,000 | 2,381,650 | 21,646,650 |
| Total | \$ 49,995,000 | \$ 30,299,470 | \$ 80,294,470 |

C. Special Tax Revenue Bonds

1996 Issue

On August 8, 1996, the Orange Unified School District Public Financing Authority issued Series A of the Community Facilities District #89-1 Special Tax Revenue Bonds in the amount of \$4,250,000. The issue consisted of serial bonds with stated interest rates ranging from 4.6% to 5.6% and fully maturing on September 1, 2024. The bonds were issued to fund the construction of District facilities. At June 30, 2010, the principal balance outstanding on the bonds was \$1,590,000.

2000 Issue

On March 22, 2000, the Orange Unified School District Public Financing Authority issued \$13,720,000 of Series A of the Community Facilities Districts #88-1 and #89-2 Bonds. The issue consists of serial bonds with stated interest rates ranging from 4.75% to 5.3% and maturing September 1, 2014. The bonds were issued to fund the construction of District facilities. At June 30, 2010 the principal balance outstanding on the bonds was \$5,835,000.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM DEBT (continued)

C. Special Tax Revenue Bonds (continued)

2006 Issue

On January 6, 2006, the Orange Unified School District Public Financing Authority issued \$6,540,000 of the Community Facilities District No. 2005-1 Bonds. The issue consists of: a) serial bonds with a stated interest rate ranging from 3.8% to 5.2% and maturing on September 1, 2021, b) term bond of \$850,000 with a stated interest rate of 5.25% and maturing on September 1, 2025, and c) term bond of \$4,570,000 with a stated interest rate of 5.375% and maturing on September 1, 2036. At June 30, 2010, the principal balance outstanding on the bonds was \$6,500,000.

2007 Issue

On March 9, 2007, the Orange Unified School District Financing Authority issued \$5,920,000 of the Community Facilities District No. 2005-2 Bonds. The issue consists of a) serial bonds with a state interest rate ranging from 3.8% to 4.625% and maturing on September 1, 2022, b) term bond of \$1,280,000 with a stated interest rate of 4.7% and maturing on September 1, 2028, and c) term bond of \$3,505,000 with a stated interest rate of 5% and maturing on September 1, 2037. At June 30, 2010, the principal balance outstanding on the bonds was \$5,895,000.

The annual requirements to amortize all special tax revenue bonds payable, outstanding as of June 30, 2010, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 2010-2011 | \$ 1,400,000 | \$ 990,525 | \$ 2,390,525 |
| 2011-2012 | 1,485,000 | 933,970 | 2,418,970 |
| 2012-2013 | 1,570,000 | 873,245 | 2,443,245 |
| 2013-2014 | 1,665,000 | 807,846 | 2,472,846 |
| 2014-2015 | 1,770,000 | 692,770 | 2,462,770 |
| 2015-2020 | 985,000 | 2,961,356 | 3,946,356 |
| 2020-2025 | 1,700,000 | 2,655,769 | 4,355,769 |
| 2025-2030 | 2,675,000 | 2,139,228 | 4,814,228 |
| 2030-2035 | 3,995,000 | 1,321,301 | 5,316,301 |
| 2035-2038 | 2,575,000 | 239,775 | 2,814,775 |
| Total | \$ 19,820,000 | \$ 13,615,785 | \$ 33,435,785 |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM DEBT (continued)

D. Child Development Portables

The District financed the purchase of Child Development Portables through the California Department of Education’s Child Facilities Revolving Fund. The agreement with CDE includes a 0% interest rate for the portable classrooms. During the term of the repayment, the title to the facilities shall be in the name of the State of California. Title shall pass to the District after repayment of all funds. The District bears all the responsibility of maintaining the facilities and keeping the facilities free and clear of any levies, liens and encumbrances.

The loans mature in 2012 and the payments are as follows:

| <u>Fiscal Year</u> | <u>Payment</u> |
|--------------------|------------------|
| 2010-2011 | \$ 12,362 |
| 2011-2012 | 12,362 |
| Total | \$ 24,724 |

E. Capital Leases

The District leases school buses, vans, computers and energy retrofit equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

| <u>Fiscal Year</u> | <u>Lease Payments</u> |
|--|-----------------------|
| 2010-2011 | \$ 1,257,120 |
| 2011-2012 | 1,097,155 |
| 2012-2013 | 1,011,102 |
| 2013-2014 | 774,445 |
| 2014-2015 | 792,110 |
| 2015-2020 | 4,258,062 |
| 2020-2025 | 4,852,753 |
| 2025-2029 | 2,012,319 |
| Total | 16,055,066 |
| Less Amount Representing Interest | (4,928,418) |
| Present Value of Net Minimum Lease Payments | \$ 11,126,648 |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM DEBT (continued)

F. Retirement Health Benefits Funding Bonds

In May 2008, the District issued \$94,765,000 in retirement health benefits funding bonds. The bonds bear interest based on a variable interest rate (initially 3.562%), and mature in May 2043. The bonds were issued by the District to provide funds to refinance a portion of the District's obligation to pay retirement medical and other health benefits owed to eligible employees and former employees pursuant to employment contracts. Proceeds from the bonds were deposited in the District's Retiree Benefits fund, a fiduciary fund of the District. Future principal and interest payments on the retirement health benefits funding bonds are to be made from the District's General fund. The annual requirements to amortize the bonds as of June 30, 2010 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|-----------------------|
| 2010-2011 | \$ 1,300,000 | \$ 4,303,887 | \$ 5,603,887 |
| 2011-2012 | 1,500,000 | 4,242,663 | 5,742,663 |
| 2012-2013 | 1,600,000 | 4,172,524 | 5,772,524 |
| 2013-2014 | 1,600,000 | 4,098,125 | 5,698,125 |
| 2014-2015 | 1,700,000 | 4,023,337 | 5,723,337 |
| 2015-2020 | 10,200,000 | 18,761,548 | 28,961,548 |
| 2020-2025 | 12,900,000 | 16,221,535 | 29,121,535 |
| 2025-2030 | 14,300,000 | 13,021,552 | 27,321,552 |
| 2030-2035 | 18,500,000 | 9,378,276 | 27,878,276 |
| 2035-2040 | 20,200,000 | 4,744,945 | 24,944,945 |
| 2040-2043 | 8,865,000 | 751,272 | 9,616,272 |
| Total | \$ 92,665,000 | \$ 83,719,664 | \$ 176,384,664 |

G. Supplementary Retirement Plan

In June 2010, the District entered into a supplementary retirement plan with Public Agency Retirement Services (PARS) whereby 159 employees of the District elected to take early retirement in exchange for supplementary retirement benefits. Future payments for the PARS supplementary retirement plan are as follows:

| <u>Fiscal Year</u> | <u>Payment</u> |
|--------------------|---------------------|
| 2010-2011 | \$ 2,058,534 |
| 2011-2012 | 2,058,534 |
| 2012-2013 | 2,058,534 |
| Total | \$ 6,175,602 |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – JOINT VENTURES

The District participates in one joint venture under a joint powers agreement (JPA) with the Southern California ReLiEF. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information for the most recently audited fiscal period is as follows:

| | Southern California ReLiEF June 30, 2009 |
|----------------------|--|
| Assets | \$ 45,587,451 |
| Liabilities | 30,244,234 |
| Net assets | \$ 15,343,217 |
| Revenues | \$ 12,693,615 |
| Expenses | 13,194,459 |
| Operating income | (500,844) |
| Non-operating income | 2,286,969 |
| Change in net assets | \$ 1,786,125 |

NOTE 9 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review 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 would not be material.

Construction Commitments

As of June 30, 2010, the District had commitments with respect to unfinished capital projects of approximately \$5,840,772.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 9, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

NOTE 11 – EMPLOYEE RETIREMENT PLANS

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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and 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 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2009-10 | \$ 5,486,810 | 100% |
| 2008-09 | \$ 5,666,220 | 100% |
| 2007-08 | \$ 5,743,877 | 100% |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalSTRS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2009-10 | \$ 8,826,428 | 100% |
| 2008-09 | \$ 9,360,513 | 100% |
| 2007-08 | \$ 9,743,426 | 100% |

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$4,565,135 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. Summary of Significant Accounting Policies

Basis of Accounting: The Retiree Benefits Fund’s financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. As plan assets are held in an irrevocable trust, investments of plan assets may include investments in equity securities or mutual funds and are not subject to the same limitation on eligible securities that apply to other District funds per California Government Code Section 16430 and California Education Code Section 41001.

B. Plan Description and Contribution Information

Membership of the plan consisted of the following at December 1, 2009, the date of the latest actuarial valuation:

| | Retiree Benefits Fund |
|---|--------------------------|
| Retirees and beneficiaries receiving benefits | 1,087 |
| Active plan members | 1,502 |
| Total | 2,589 |
| Number of participating employers | 1 |

Plan Description: The District’s Retiree Benefits Fund is a single-employer defined benefit postemployment healthcare plan that covers eligible retired employees of the District including all departments. The Fund provides health insurance benefits to eligible retirees and their spouses.

Contributions: Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts annually toward the cost of health insurance premiums. Plan members are required to contribute \$150 annually for Two Party coverage and \$300 for Family coverage, if dependent coverage is elected. The District is required to contribute the balance of the current premium cost.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio |
|--------------------------------|--------------------|--|---------------------------|-----------------|
| 12/1/2009 | \$ 97,237,770 | \$ 149,330,320 | \$ 52,092,550 | 187% |

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

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Funded Status and Funding Progress – OPEB Plans (continued)

Additional information as of the latest actuarial valuation follows:

| | |
|--|--|
| | <u>Retiree Benefits</u> <u>Fund</u> |
| Valuation Date | 12/1/2009 |
| Actuarial Cost Method | Entry Age Normal Cost |
| Amortization Method | Flat Dollar Amount |
| Remaining Amortization Period | 30 years |
| Asset Valuation | Market Value Basis |
| Actuarial Assumptions: | |
| Discount rate | 6.2% |
| Long-term healthcare cost trend rates: | |
| HMO | 4.0% |
| PPO | 4.0% |
| Dental & Vision | 4.0% |

D. Annual OPEB Cost and Net OPEB Asset

The following table shows the elements of the District's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the District's net OPEB asset to the plan for the year ended June 30, 2010:

| | |
|---|----------------------|
| | <u>Amount</u> |
| Annual required contribution (ARC) | \$ 2,104,444 |
| Interest on net OPEB obligation | (4,628,636) |
| Adjustment to ARC | 5,540,209 |
| Annual OPEB cost | <u>3,016,017</u> |
| Contributions made: | |
| Contributions from governmental funds | |
| General Fund pay-as-you go amount | 5,837,027 |
| Adjustment to prior year pay-as-you go amount | 6,078,161 |
| Total contributions made | <u>11,915,188</u> |
| Increase in net OPEB asset | 8,899,171 |
| Net OPEB asset - July 1, 2009 | 68,577,265 |
| Net OPEB asset - June 30, 2010 | <u>\$ 77,476,436</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 13 - SUBSEQUENT EVENTS

Tax Revenue Anticipation Note

The District issued \$10,000,000 of Tax Revenue Anticipation Notes dated August 1, 2010 through a multiple agency agreement with the South Coast Local Education Agencies Pooled Tax and Revenue Anticipation Note Program, Series 2010A. The notes mature on August 9, 2011. Repayment terms require payments according to the following schedule:

\$4,000,000 due February 2011
\$3,000,000 due April 2011
\$3,000,000 due May 2011

Required Supplementary Information

ORANGE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget - Pos (Neg) |
|--|---------------------|----------------------|-----------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue limit sources | \$ 140,133,726 | \$ 140,369,470 | \$ 140,369,470 | \$ - |
| Federal | 22,549,039 | 28,059,010 | 20,695,266 | (7,363,744) |
| Other state | 46,310,949 | 47,465,300 | 47,400,693 | (64,607) |
| Other local | 7,273,009 | 7,361,145 | 7,433,974 | 72,829 |
| Total revenues | <u>216,266,723</u> | <u>223,254,925</u> | <u>215,899,403</u> | <u>(7,355,522)</u> |
| EXPENDITURES | | | | |
| Certificated salaries | 109,727,958 | 111,291,774 | 108,054,297 | 3,237,477 |
| Classified salaries | 35,081,241 | 34,844,301 | 34,539,682 | 304,619 |
| Employee benefits | 47,222,834 | 46,177,568 | 46,062,990 | 114,578 |
| Books and supplies | 26,298,268 | 20,104,663 | 6,550,521 | 13,554,142 |
| Services and other operating expenditures | 20,854,228 | 21,820,745 | 15,839,623 | 5,981,122 |
| Capital outlay | 253,091 | 314,441 | 269,145 | 45,296 |
| Transfers of indirect costs | 8,283,154 | (314,770) | (314,390) | (380) |
| Other outgo | (337,838) | 6,745,908 | 5,226,754 | 1,519,154 |
| Total expenditures | <u>247,382,936</u> | <u>240,984,630</u> | <u>216,228,622</u> | <u>24,756,008</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(31,116,213)</u> | <u>(17,729,705)</u> | <u>(329,219)</u> | <u>17,400,486</u> |
| OTHER FINANCING SOURCES AND USES | | | | |
| Interfund transfers in | - | 294,882 | 294,882 | - |
| Interfund transfers out | 1,161,656 | - | - | - |
| Total other financing sources and uses | <u>1,161,656</u> | <u>294,882</u> | <u>294,882</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>(29,954,557)</u> | <u>(17,434,823)</u> | <u>(34,337)</u> | <u>17,400,486</u> |
| Fund balances, July 1, 2009 | <u>37,975,587</u> | <u>37,975,587</u> | <u>37,975,587</u> | <u>-</u> |
| Fund balances, June 30, 2010 | <u>\$ 8,021,030</u> | <u>\$ 20,540,764</u> | <u>\$ 37,941,250</u> | <u>\$ 17,400,486</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

Schedule of Funding Progress

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--------------------|--|---------------------------|-----------------|--------------------|--|
| 1/1/2006 | \$ 13,550,427 | \$ 138,309,571 | \$ 124,759,144 | 10% | \$ 36,179,801 | 345% |
| 10/1/2007 | 2,171,175 | 167,391,481 | 165,220,306 | 1% | 36,388,765 | 454% |
| 12/1/2009 | 97,237,770 | (40,750,535) | (137,988,305) | 239% | 41,711,505 | -331% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2007 | \$ 9,752,784 | 100% |
| 2008 | 13,531,444 | 100% |
| 2009 | 13,531,444 | 45% |
| 2010 | 2,104,444 | 100% |

Supplementary Information Section

ORANGE UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2010

| | Adult Education Fund | Child Development Fund | Cafeteria Special Revenue Fund | Deferred Maintenance Fund | Capital Facilities Fund | Capital Project Fund for Blended Component Units | Debt Service Fund for Blended Component Units | Total Non-Major Governmental Funds |
|--------------------------------------|----------------------|------------------------|--------------------------------|---------------------------|-------------------------|--|---|------------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 60,196 | \$ 1,089,679 | \$ 1,361,311 | \$ 3,443,727 | \$ 4,099,499 | \$ 8,217,878 | \$ - | \$ 18,272,290 |
| Accounts receivable | 47 | 148,650 | 341,488 | 46,711 | 3,068 | 20 | - | 539,984 |
| Due from other funds | - | 18,696 | - | - | 3,226 | - | - | 21,922 |
| Inventories | - | - | 148,626 | - | - | - | - | 148,626 |
| Total assets | <u>\$ 60,243</u> | <u>\$ 1,257,025</u> | <u>\$ 1,851,425</u> | <u>\$ 3,490,438</u> | <u>\$ 4,105,793</u> | <u>\$ 8,217,898</u> | <u>\$ -</u> | <u>\$ 18,982,822</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 2,704 | \$ 371,703 | \$ 487,580 | \$ 13,302 | \$ 67,263 | \$ 21,384 | \$ - | \$ 963,936 |
| Due to other funds | 372 | 151,936 | 492,269 | - | 2,984 | - | - | 647,561 |
| Total liabilities | <u>3,076</u> | <u>523,639</u> | <u>979,849</u> | <u>13,302</u> | <u>70,247</u> | <u>21,384</u> | <u>-</u> | <u>1,611,497</u> |
| FUND BALANCES | | | | | | | | |
| Reserved for: | | | | | | | | |
| Inventories | - | - | 148,626 | - | - | - | - | 148,626 |
| Revolving cash | - | - | 10,000 | - | - | - | - | 10,000 |
| Unreserved: | | | | | | | | |
| Special revenue funds | 57,167 | 733,386 | 712,950 | 3,477,136 | - | - | - | 4,980,639 |
| Capital project funds | - | - | - | - | 4,035,546 | 8,196,514 | - | 12,232,060 |
| Total fund balances | <u>57,167</u> | <u>733,386</u> | <u>871,576</u> | <u>3,477,136</u> | <u>4,035,546</u> | <u>8,196,514</u> | <u>-</u> | <u>17,371,325</u> |
| Total liabilities and fund balances | <u>\$ 60,243</u> | <u>\$ 1,257,025</u> | <u>\$ 1,851,425</u> | <u>\$ 3,490,438</u> | <u>\$ 4,105,793</u> | <u>\$ 8,217,898</u> | <u>\$ -</u> | <u>\$ 18,982,822</u> |

ORANGE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenses, and Changes in Fund Balances – Non-Major Funds

For the Fiscal Year Ended June 30, 2010

| | Adult Education Fund | Child Development Fund | Special Revenue Fund | Deferred Maintenance Fund | Capital Facilities Fund | Capital Project Fund for Blended Component Units | Debt Service Fund for Blended Component Units | Total Non-Major Governmental Funds |
|---|----------------------|------------------------|----------------------|---------------------------|-------------------------|--|---|------------------------------------|
| REVENUES | | | | | | | | |
| General revenues: | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,631,177 | \$ - | \$ 2,631,177 |
| Interest and investment earnings | - | - | - | - | 51,249 | - | - | 51,249 |
| Interagency revenues | - | - | - | 44,100 | - | - | - | 44,100 |
| Miscellaneous | - | - | - | - | 527,632 | - | - | 527,632 |
| Program revenues: | | | | | | | | |
| Charges for services | - | 4,722,989 | 2,453,268 | - | - | - | - | 7,176,257 |
| Operating grants and contributions | 848 | 1,004,951 | 6,043,528 | 42,805 | - | (10,332) | - | 7,081,800 |
| Total revenues | 848 | 5,727,940 | 8,496,796 | 86,905 | 578,881 | 2,620,845 | - | 17,512,215 |
| EXPENDITURES | | | | | | | | |
| Instructional services: | | | | | | | | |
| Instruction | 13,274 | 4,374,386 | - | - | - | - | - | 4,387,660 |
| Instruction-related services: | | | | | | | | |
| Supervision of instruction | - | 8,928 | - | - | - | - | - | 8,928 |
| Instructional library, media and technology | 24 | - | - | - | - | - | - | 24 |
| School site administration | 138 | 926,552 | - | - | - | - | - | 926,690 |
| Pupil support services: | | | | | | | | |
| Food services | - | - | 7,392,592 | - | - | - | - | 7,392,592 |
| All other pupil services | 1,577 | - | - | - | - | - | - | 1,577 |
| General administration services: | | | | | | | | |
| Other general administration | 372 | 132,059 | 181,958 | - | 6,758 | - | - | 321,147 |
| Plant services | - | 44,154 | - | 74,315 | - | - | - | 118,469 |
| Facility acquisition and construction | - | - | - | 4,154 | 787,290 | 136,734 | - | 928,178 |
| Other outgo: | | | | | | | | |
| Transfers between agencies | - | - | - | - | - | 6 | - | 6 |
| Debt service - principal | - | 36,752 | 12,846 | - | - | - | 1,325,000 | 1,374,598 |
| Debt service - interest | - | 3,220 | 1,696 | - | - | - | 1,050,190 | 1,055,106 |
| Total expenditures | 15,385 | 5,526,051 | 7,589,092 | 78,469 | 794,048 | 136,740 | 2,375,190 | 16,514,975 |
| Excess (deficiency) of revenues over (under) expenditures | (14,537) | 201,889 | 907,704 | 8,436 | (215,167) | 2,484,105 | (2,375,190) | 997,240 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Interfund transfers in | - | - | - | - | - | - | 2,375,190 | 2,375,190 |
| Interfund transfers out | - | - | (294,882) | - | - | (2,375,190) | - | (2,670,072) |
| All other financing sources | - | - | (294,882) | - | - | 6 | - | (294,876) |
| Total other financing sources and uses | - | - | (294,882) | - | - | 6 | - | (294,876) |
| Net change in fund balances | (14,537) | 201,889 | 612,822 | 8,436 | (215,167) | 108,921 | - | 702,364 |
| Fund balances, July 1, 2009 | 71,704 | 531,497 | 258,754 | 3,468,700 | 4,250,713 | 8,087,593 | - | 16,668,961 |
| Fund balances, June 30, 2010 | \$ 57,167 | \$ 733,386 | \$ 871,576 | \$ 3,477,136 | \$ 4,035,546 | \$ 8,196,514 | \$ - | \$ 17,371,325 |

ORANGE UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – Blended Component Units
June 30, 2010

| | Canyon Rim CFD #89-1 | Chapman Hills and Running Springs CFD #88-1 & #89-2 | Tremont CFD #2005-1 | Del Rio CFD #2007-1 | Orange Schools Financing Authority | Total Blended Component Units |
|--|----------------------------|--|------------------------|------------------------|---|--|
| ASSETS | | | | | | |
| Cash | \$ 986,326 | \$ 3,162,145 | \$ 1,472,376 | \$ 2,597,030 | \$ 1 | \$ 8,217,878 |
| Accounts receivable | - | - | 3 | 17 | - | 20 |
| Total Assets | \$ 986,326 | \$ 3,162,145 | \$ 1,472,379 | \$ 2,597,047 | \$ 1 | \$ 8,217,898 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 21,384 | \$ - | \$ - | \$ 21,384 |
| Due to other funds | - | - | - | - | - | - |
| Total Liabilities | - | - | 21,384 | - | - | 21,384 |
| FUND BALANCES | | | | | | |
| Unreserved: | | | | | | |
| Capital projects funds | 986,326 | 3,162,145 | 1,450,995 | 2,597,047 | 1 | 8,196,514 |
| Total Liabilities and Fund Balances | \$ 986,326 | \$ 3,162,145 | \$ 1,472,379 | \$ 2,597,047 | \$ 1 | \$ 8,217,898 |

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Blended
Component Units
For the Fiscal Year Ended June 30, 2010

| | Canyon Rim CFD #89-1 | Chapman Hills and Running Springs CFD #88-1 & #89-2 | Tremont CFD #2005-1 | Del Rio CFD #2007-1 | Orange Schools Financing Authority | Total Blended Component Units |
|--|----------------------------|--|------------------------|------------------------|---|--|
| REVENUES | | | | | | |
| General Revenues: | | | | | | |
| Taxes levied for other specific purposes | \$ 388,907 | \$ 1,439,969 | \$ 465,030 | \$ 337,271 | \$ - | \$ 2,631,177 |
| Earnings on investments | 2,086 | (24,200) | 3,720 | 8,060 | 8 | (10,326) |
| Total revenues | <u>390,993</u> | <u>1,415,769</u> | <u>468,750</u> | <u>345,331</u> | <u>8</u> | <u>2,620,851</u> |
| EXPENDITURES | | | | | | |
| Principal | 270,000 | 1,010,000 | 20,000 | 25,000 | 505,000 | 1,830,000 |
| Interest | 96,195 | 324,751 | 344,012 | 285,231 | 2,299,294 | 3,349,483 |
| General Administration Services: | | | | | | |
| Other general administration | 13,465 | 21,889 | 10,642 | 14,264 | | 60,260 |
| Facility acquisition and construction | - | - | 70,113 | 6,361 | 3,193,745 | 3,270,219 |
| Total expenditures | <u>379,660</u> | <u>1,356,640</u> | <u>444,767</u> | <u>330,856</u> | <u>5,998,039</u> | <u>8,509,962</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | - | - | - | - | 2,804,294 | 2,804,294 |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,804,294</u> | <u>2,804,294</u> |
| Net Change in Fund Balances | 11,333 | 59,129 | 23,983 | 14,475 | (3,193,737) | (3,084,817) |
| Fund Balances, July 1, 2009 | <u>974,993</u> | <u>3,103,016</u> | <u>1,427,012</u> | <u>2,582,572</u> | <u>3,193,738</u> | <u>11,281,331</u> |
| Fund Balances, June 30, 2010 | <u>\$ 986,326</u> | <u>\$ 3,162,145</u> | <u>\$ 1,450,995</u> | <u>\$ 2,597,047</u> | <u>\$ 1</u> | <u>\$ 8,196,514</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities – Student Body Funds – Summary
June 30, 2010

| | High Schools | Middle Schools | Elementary Schools | Totals |
|---------------------------|---------------------|-------------------|-----------------------|---------------------|
| ASSETS | | | | |
| Cash on hand and in banks | \$ 1,458,307 | \$ 248,484 | \$ 261,266 | \$ 1,968,057 |
| Total assets | <u>\$ 1,458,307</u> | <u>\$ 248,484</u> | <u>\$ 261,266</u> | <u>\$ 1,968,057</u> |
| LIABILITIES | | | | |
| Due to student groups | \$ 1,458,307 | \$ 248,484 | \$ 261,266 | \$ 1,968,057 |
| Total liabilities | <u>\$ 1,458,307</u> | <u>\$ 248,484</u> | <u>\$ 261,266</u> | <u>\$ 1,968,057</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities – Student Body Funds – High Schools
June 30, 2010

| | Canyon High School | El Modena High School | Orange High School | Richland High School | Villa Park High School | Totals |
|---------------------------|--------------------------|-----------------------------|--------------------------|----------------------------|------------------------------|---------------------|
| ASSETS | | | | | | |
| Cash on hand and in banks | \$ 557,102 | \$ 224,228 | \$ 229,486 | \$ 5,108 | \$ 442,383 | \$ 1,458,307 |
| Total assets | <u>\$ 557,102</u> | <u>\$ 224,228</u> | <u>\$ 229,486</u> | <u>\$ 5,108</u> | <u>\$ 442,383</u> | <u>\$ 1,458,307</u> |
| LIABILITIES | | | | | | |
| Due to student groups | \$ 557,102 | \$ 224,228 | \$ 229,486 | \$ 5,108 | \$ 442,383 | \$ 1,458,307 |
| Total liabilities | <u>\$ 557,102</u> | <u>\$ 224,228</u> | <u>\$ 229,486</u> | <u>\$ 5,108</u> | <u>\$ 442,383</u> | <u>\$ 1,458,307</u> |

ORANGE UNIFIED SCHOOL DISTRICT

Combining Statement of Assets and Liabilities – Student Body Funds – Middle Schools

June 30, 2010

| | <u>Cerro Villa Middle School</u> | <u>El Rancho Middle School</u> | <u>Portola Middle School</u> | <u>Yorba Middle School</u> | <u>Totals</u> |
|---------------------------|--|--|--------------------------------------|------------------------------------|-------------------|
| ASSETS | | | | | |
| Cash on hand and in banks | \$ 140,763 | \$ 80,372 | \$ 17,745 | \$ 9,604 | \$ 248,484 |
| Total assets | <u>\$ 140,763</u> | <u>\$ 80,372</u> | <u>\$ 17,745</u> | <u>\$ 9,604</u> | <u>\$ 248,484</u> |
| LIABILITIES | | | | | |
| Due to student groups | \$ 140,763 | \$ 80,372 | \$ 17,745 | \$ 9,604 | \$ 248,484 |
| Total liabilities | <u>\$ 140,763</u> | <u>\$ 80,372</u> | <u>\$ 17,745</u> | <u>\$ 9,604</u> | <u>\$ 248,484</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities – Student Body Funds – Elementary Schools
June 30, 2010

| | Anaheim Hills Elem. | California Elem. | Cambridge Elem. | Canyon Rim Elem. | Chapman Hills Elem. | Crescent Elem. | Esplanade Elem. | Fletcher Elem. | Imperial Elem. | La Veta Elem. | Lampson Elem. | Linda Vista Elem. | McPherson Elem. |
|---------------------------|---------------------|------------------|-----------------|---------------------------|---------------------|-----------------------|-----------------|----------------|----------------|------------------|-------------------|-------------------|-----------------|
| ASSETS | | | | | | | | | | | | | |
| Cash on hand and in banks | \$ 4,667 | \$ 7,532 | \$ 2,095 | \$ 21,347 | \$ 11,398 | \$ 108 | \$ 2,510 | \$ 908 | \$ 3,675 | \$ 29,792 | \$ 12,112 | \$ 13,214 | \$ 20,149 |
| Total assets | \$ 4,667 | \$ 7,532 | \$ 2,095 | \$ 21,347 | \$ 11,398 | \$ 108 | \$ 2,510 | \$ 908 | \$ 3,675 | \$ 29,792 | \$ 12,112 | \$ 13,214 | \$ 20,149 |
| LIABILITIES | | | | | | | | | | | | | |
| Due to student groups | \$ 4,667 | \$ 7,532 | \$ 2,095 | \$ 21,347 | \$ 11,398 | \$ 108 | \$ 2,510 | \$ 908 | \$ 3,675 | \$ 29,792 | \$ 12,112 | \$ 13,214 | \$ 20,149 |
| Total liabilities | \$ 4,667 | \$ 7,532 | \$ 2,095 | \$ 21,347 | \$ 11,398 | \$ 108 | \$ 2,510 | \$ 908 | \$ 3,675 | \$ 29,792 | \$ 12,112 | \$ 13,214 | \$ 20,149 |
| ASSETS | | | | | | | | | | | | | |
| | Nohl Canyon Elem. | Olive Elem. | Palmyra Elem. | Parkside Pre-School Elem. | Panorama Elem. | Running Springs Elem. | Serrano Elem. | Sycamore Elem. | Taft Elem. | Villa Park Elem. | West Orange Elem. | Totals | |
| Cash on hand and in banks | \$ (396) | \$ 22,467 | \$ 17,959 | \$ 2,783 | \$ 22,812 | \$ 44,584 | \$ 6,278 | \$ 682 | \$ 10,173 | \$ 3,504 | \$ 913 | \$ 261,266 | |
| Total assets | \$ (396) | \$ 22,467 | \$ 17,959 | \$ 2,783 | \$ 22,812 | \$ 44,584 | \$ 6,278 | \$ 682 | \$ 10,173 | \$ 3,504 | \$ 913 | \$ 261,266 | |
| LIABILITIES | | | | | | | | | | | | | |
| Due to student groups | \$ (396) | \$ 22,467 | \$ 17,959 | \$ 2,783 | \$ 22,812 | \$ 44,584 | \$ 6,278 | \$ 682 | \$ 10,173 | \$ 3,504 | \$ 913 | \$ 261,266 | |
| Total liabilities | \$ (396) | \$ 22,467 | \$ 17,959 | \$ 2,783 | \$ 22,812 | \$ 44,584 | \$ 6,278 | \$ 682 | \$ 10,173 | \$ 3,504 | \$ 913 | \$ 261,266 | |

ORANGE UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2010

The Orange Unified School District was established in 1953 and is comprised of an area of approximately 108 square miles located in Orange County. There were no changes in the boundaries of the District during the current year. The District is operating 27 elementary schools, 5 middle schools, 4 high schools, one continuation school, one special education facility, and a career education center.

| GOVERNING BOARD | | |
|-----------------------------|----------------|---------------------|
| Member | Office | Term Expires |
| John Ortega | President | 2012 |
| Melissa J. Smith | Vice President | 2010 |
| Mark D. Wayland | Clerk | 2012 |
| Alexia L. Deligianni, Ed.D. | Member | 2012 |
| Kathryn A. Moffat | Member | 2010 |
| Kimberlee Nichols | Member | 2010 |
| Rick Ledesma | Member | 2010 |

DISTRICT ADMINISTRATORS

Renae Dreier, Ed.D.
Superintendent of Schools

Michael L. Christensen, MBA
Deputy Superintendent, Administrative Services

Ed Kisse
Assistant Superintendent, Human Resources

Gunn Marie Hansen, Ph.D.
Assistant Superintendent, Educational Services

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2010

| | Second Period Report | Annual Report |
|--------------------------------------|-------------------------|------------------|
| Elementary: | | |
| Kindergarten | 1,966 | 1,973 |
| Grades 1 through 3, regular classes | 6,174 | 6,185 |
| Grades 4 through 6, regular classes | 6,313 | 6,328 |
| Grades 7 and 8, regular classes | 2,241 | 2,241 |
| Home and hospital | 15 | 16 |
| Special education | 623 | 628 |
| Community day school | 11 | 15 |
| | <hr/> | <hr/> |
| Total Elementary | 17,343 | 17,386 |
| | <hr/> | <hr/> |
| Secondary: | | |
| Grades 9 through 12, regular classes | 8,764 | 8,709 |
| Continuation education | 293 | 285 |
| Home and hospital | 41 | 45 |
| Special education | 407 | 408 |
| Community day school | 47 | 50 |
| | <hr/> | <hr/> |
| Total Secondary | 9,552 | 9,497 |
| | <hr/> | <hr/> |
| Charter Schools: | | |
| Classroom based: | | |
| Grades 7-8 | 1,121 | 1,119 |
| Non-classroom based: | | |
| Grades 7-8 | 2 | 2 |
| | <hr/> | <hr/> |
| Total Charter Schools | 1,123 | 1,121 |
| | <hr/> | <hr/> |
| Total Average Daily Attendance | 28,018 | 28,004 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2010

| Grade Level | 1982-83 Actual Minutes | 1982-83 Reduced Minutes | 1986-87 Minutes Requirement | 1986-87 Reduced Minutes | 2009-10 Actual Minutes | Number of Days Traditional Calendar | Status |
|--------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|---------------------------|---|----------|
| Kindergarten | 31,680 | 30,800 | 36,000 | 35,000 | 36,000 | 180 | Complied |
| Grade 1 | 43,324 | 42,121 | 50,400 | 49,000 | 50,785 | 180 | Complied |
| Grade 2 | 43,324 | 42,121 | 50,400 | 49,000 | 50,785 | 180 | Complied |
| Grade 3 | 43,324 | 42,121 | 50,400 | 49,000 | 50,785 | 180 | Complied |
| Grade 4 | 49,774 | 48,391 | 54,000 | 52,500 | 54,245 | 180 | Complied |
| Grade 5 | 49,774 | 48,391 | 54,000 | 52,500 | 54,245 | 180 | Complied |
| Grade 6 | 49,774 | 48,391 | 54,000 | 52,500 | 54,245 | 180 | Complied |
| Grade 7 | 62,589 | 60,850 | 54,000 | 52,500 | 62,824 | 180 | Complied |
| Grade 8 | 62,589 | 60,850 | 54,000 | 52,500 | 62,824 | 180 | Complied |
| Grade 9 | 62,300 | 60,569 | 64,800 | 63,000 | 64,824 | 180 | Complied |
| Grade 10 | 62,300 | 60,569 | 64,800 | 63,000 | 64,824 | 180 | Complied |
| Grade 11 | 62,300 | 60,569 | 64,800 | 63,000 | 64,824 | 180 | Complied |
| Grade 12 | 62,300 | 60,569 | 64,800 | 63,000 | 64,824 | 180 | Complied |

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2010

| General Fund | (Budget) 2011*** | 2010 | 2009 | 2008 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues and other financing sources | \$ 213,294,123 | \$ 216,194,285 | \$ 242,313,804 | \$ 340,942,277 |
| Expenditures | 229,335,275 | 216,228,622 | 233,863,137 | 240,835,220 |
| Other uses and transfers out | - | - | (7,664) | 95,130,787 |
| Total outgo | <u>229,335,275</u> | <u>216,228,622</u> | <u>233,855,473</u> | <u>335,966,007</u> |
| Change in fund balance (deficit) | <u>(16,041,152)</u> | <u>(34,337)</u> | <u>8,458,331</u> | <u>4,976,270</u> |
| Ending fund balance | <u>\$ 21,900,098</u> | <u>\$ 37,941,250</u> | <u>\$ 37,975,587</u> | <u>\$ 29,517,256</u> |
| Available reserves* | <u>\$ 20,318,971</u> | <u>\$ 24,546,531</u> | <u>\$ 15,381,939</u> | <u>\$ 18,174,151</u> |
| Available reserves as a percentage of total outgo | <u>8.9%</u> | <u>11.4%</u> | <u>6.6%</u> | <u>5.4%</u> |
| Total long-term debt | <u>\$ 176,726,858</u> | <u>\$ 182,909,148</u> | <u>\$ 188,559,295</u> | <u>\$ 193,187,562</u> |
| Average daily attendance at P-2** | <u>26,949</u> | <u>26,895</u> | <u>26,966</u> | <u>26,630</u> |

The General Fund balance has increased by \$8,423,994 over the past two years. The fiscal year 2010-11 adopted budget projects a decrease of \$16,041,152. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). ABX4 2 reduced the 3% reserve requirement by one-third for the 2009-10 year. Long-term debt has decreased \$10,278,414 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund or Special Reserve Fund (Other than Capital Outlay).

** Excludes charter school ADA.

*** Revised Final Budget, September 2010.

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|-------------------|--|-------------------------|
| Federal Programs: | | | |
| U.S. Department of Agriculture: | | | |
| Passed through California Dept. of Education (CDE): | | | |
| National School Lunch | 10.555 | 13391 | \$ 4,128,108 |
| National School Breakfast | 10.553 | 13390 | 8,654 |
| Especially Needy Breakfast | 10.553 | 13526 | 1,023,981 |
| Meal Supplements | 10.556 | 13392 | 78,510 |
| USDA Commodities (non-cash assistance) | 10.565 | 13389 | 555,591 |
| Forest Reserve Funds | 10.666 | 10044 | 6,598 |
| Total U.S. Department of Agriculture | | | 5,801,442 |
| U.S. Department of Education: | | | |
| Passed through California Dept. of Education (CDE): | | | |
| No Child Left Behind Act (NCLB): | | | |
| Title I, Part A, Basic Grants | 84.010 | 14329 | 3,551,488 |
| ARRA: Title I, Part A -Basic Grants Low-Income and Neglected | 84.389 | 15005 | 243,233 |
| Title I - Part B, Reading First | 84.357 | 14328 | 126,450 |
| Title I - School Improvement Grant | 84.377 | 14971 | 371,239 |
| ARRA: Title I - School Improvement Grant | 84.389 | 15004 | 20,249 |
| Title I - Part G, Advanced Placement (AP) Test Fee Reimbursement | 84.330 | 14831 | 22,044 |
| Title II - Part D Enhancing Education Through Technology (EETT) | 84.318 | 14334 | 24,988 |
| Title II - Part D EETT Competitive Grants | 84.318 | 14368 | 233,142 |
| Title II - Part A Improving Teacher Quality | 84.367 | 14341 | 898,863 |
| Title II, Part A, Administrator Training | 84.367 | 14344 | 7,355 |
| Title III - Limited English Proficiency | 84.365 | 10084 | 770,373 |
| Title IV - Safe and Drug Free Schools | 84.186 | 14347 | 53,802 |
| Title V - Innovative Education | 84.298A | 14354 | 5,047 |
| Title X McKinney-Vento Homeless Assistance Grants | 84.196 | 14332 | 50,977 |
| ARRA: Title X McKinney-Vento Homeless Assistance Grants | 84.387 | 15007 | 12,098 |
| Indian Education | 84.060 | 10011 | 72,180 |
| Carl Perkins Act: Vocational & Applied Tech Prep Programs | 84.243 | 13929 | 9,000 |
| Carl Perkins Act: Voc & Applied Tech Secondary II | 84.048 | 13924 | 122,473 |
| Teaching American History | 84.215X | N/A | 384,261 |
| ARRA: State Fiscal Stabilization Fund | 84.394 | 25008 | 5,991,697 |
| Individuals with Disabilities Education Act (IDEA): | | | |
| Basic Local Assistance Entitlement, Part B | 84.027 | 13379 | 5,272,915 |
| ARRA: Basic Local Assistance Entitlement, Part B, Sec 611 | 84.391 | 15003 | 3,929,383 |
| IDEA Part B, Private School ISPs | 84.027 | 10115 | 29,355 |
| ARRA-IDEA Part B, Private School ISPs | 84.391 | 10123 | 12,895 |
| IDEA Preschool Grants, Part B | 84.173 | 13430 | 131,529 |
| ARRA-IDEA Preschool Grants, Part B | 84.392 | 15000 | 117,669 |
| IDEA Preschool Staff Development | 84.173A | 13431 | 1,992 |
| IDEA Early Intervention Grants | 84.181 | 24314 | 86,305 |
| Preschool Local Entitlements, Part B | 84.027A | 13682 | 260,906 |
| ARRA: Preschool Local Entitlements, Part B | 84.391 | 15002 | 177,951 |
| Total U.S. Department of Education | | | 22,991,859 |
| U.S. Department of Health & Human Services: | | | |
| Passed through California Dept of Education: | | | |
| Child Development: Quality Improvement | 93.575 | 13979 | 1,781 |
| ARRA: Child Development: Quality Improvement | 93.713 | 15010 | 10,934 |
| Passed through California Dept of Health Services: | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 887,541 |
| Total U.S. Department of Health & Human Services | | | 900,256 |
| Total Expenditures of Federal Awards | | | \$ 29,693,557 |

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2010

| <u>Charter School</u> | <u>Inclusion in Financial Statements</u> |
|--------------------------------|--|
| Santiago Charter Middle School | Not included |
| El Rancho Charter School | Included |

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

There were no audit adjustments required to reconcile the Annual Financial and Budget Report with the Audited Financial Statements in fiscal year 2009-10.

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201. For 2009-10 through 2012-13, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the school district and displays information for each charter school on whether or not the charter school is included in the school district audit.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Other Independent Auditor's Reports

Board of Trustees
Orange Unified School District
Orange, California

**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**

We have audited the basic financial statements of Orange Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as finding #2010-1 and #2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California State Controller's Office, 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.

 Chint White (Accountancy Corporation)

San Diego, California

October 19, 2010

Board of Trustees
Orange Unified School District
Orange, California

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

Compliance

We have audited the compliance of Orange Unified School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Orange Unified 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 Orange Unified School District's management. Our responsibility is to express an opinion on Orange Unified School District's compliance based on our audit.

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

In our opinion, Orange Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Chintalvi Accountancy Corporation

San Diego, California

October 19, 2010

Board of Trustees
Orange Unified School District
Orange, California

AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Orange Unified School District (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The District's management is responsible for the District's compliance with laws and regulations. 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:

| Description | Procedures in Audit Guide | Procedures Performed |
|-----------------------------|---------------------------|----------------------|
| Attendance Accounting: | | |
| Attendance Reporting | 8 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 23 | Yes |
| Continuation Education | 10 | Yes |
| Instructional Time: | | |
| School Districts | 6 | Yes |
| County Offices of Education | 3 | Not applicable |

| Description | Procedures in Audit Guide | Procedures Performed |
|---|---------------------------|----------------------|
| Instructional Materials: | | |
| General Requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive | 4 | Not applicable |
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Public Hearing Requirement – Receipt of Funds | 1 | Yes |
| Class Size Reduction Program: | | |
| General Requirements | 7 | Yes |
| Option One | 3 | Yes |
| Option Two | 4 | Yes |
| Districts with only one school serving K-3 | 4 | Not applicable |
| After School Education and Safety Program: | | |
| General Requirements | 4 | Yes |
| After School | 4 | Yes |
| Before School | 5 | Not applicable |
| Charter Schools: | | |
| Contemporaneous Records of Attendance | 1 | Yes |
| Mode of Instruction | 1 | Yes |
| Nonclassroom-Based Instruction/Independent Study | 15 | Not applicable |
| Determination of Funding for Nonclassroom-Based Instruction | 3 | Not applicable |
| Annual Instructional Minutes – Classroom Based | 3 | Yes |

Based on our audit, we found that for the items tested, the District complied with the state laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Orange Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California Department of Finance, the California State Controller's Office, 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.

Chintle White
 San Diego, California
 October 19, 2010

Findings and Questioned Costs Section

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|--------------------|
| Type of auditor's report issued | <u>Unqualified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>Yes</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards

| | |
|--|--------------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditor's report issued on compliance for major programs: | <u>Unqualified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | <u>No</u> |

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| 84.027, 84.173, 84.391 | Special Education Cluster (IDEA) |
| 84.010, 84.389 | Title I, Part A and ARRA Title I, Part A |
| 84.394 | ARRA - State Fiscal Stabilization Fund |
| 84.377, 84.389 | Title I, SIG, ARRA - SIG |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 890,807</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

State Awards

| | |
|--|--------------------|
| Internal control over state programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditor's report issued on compliance for state programs: | <u>Unqualified</u> |

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Types</u> |
|------------------------|-----------------------------------|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 41000 | CalSTRS |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

Finding #2010-1: Associated Student Body Internal Controls (30000)

We audited a sample of student body funds at eight District school sites to test internal control procedures over: cash disbursements, cash receipts, inventory, and minutes of meetings. Findings were noted at three of the eight sites tested, a detailed list of the findings by school site was provided to District management. A summary of the internal control deficiencies we observed are:

Canyon High School –

- Lack of adequate backup on cash receipts found on three of five receipts tested.

Villa Park High School –

- Lack of adequate backup on cash receipts found on four of seven receipts tested.

Richland Continuation –

- Student funds appeared to have been used for school office expenses which are prohibited by Education Code in one of five expenditures tested.

Recommendation: We recommend that staff handling student funds be reminded of the importance of good internal controls and documentation. Staff training should take place at least annually, and the emphasis of utilizing District standardized procedures is encouraged.

District Response: The District will continue to provide annual training and site visits for ASB bookkeepers and advisors, with emphasis in the areas noted above.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings (continued)

Finding #2010-2: Associated Student Body Internal Controls (30000)

We noted at Villa Park High School, student funds were used to construct a storage shed on school property. The building of this structure circumvented District standard procedures to include: bidding, project oversight, and compliance with safety regulations.

Recommendation: We recommend the District develop a procedure where all student fund purchases of equipment, repairs or other major projects are handled through District controls processes.

District Response: In May 2010 a procedure and form was implemented for the District to approve in advance any major repairs, alterations, and equipment purchases at school sites. Any donations from parent organizations or ASB's will be deposited into the school budget and purchase orders processed through Purchasing Department.

Finding #2010-3: Local Sales Collection Procedures (30000)

We noted in our testing of cafeteria procedures that local a-la-carte sales activity was not always reconciled to evidence of deposit for all school sites. Our audit covered the period from July 2009 through February 2010. During further testing on activity of March and April 2010, it was noted that a new procedure implemented by the District appears to have corrected the deficiency in control previously noted.

Recommendation: We recommend that the District continue to follow, monitor, and enforce the new procedure to ensure that all activity is properly reconciled and traced to deposits.

District Response: In February 2010 new procedures were introduced at the sites to ensure tighter cash controls. Sites are being monitored and there will be ongoing training in the coming year for staff regarding cash and inventory procedures. Most cash boxes are being replaced with cash registers starting August 2010.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to Federal awards during 2009-10.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no audit findings and questioned costs related to State awards during 2009-10.

ORANGE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

| Original Finding No. | Finding | Code | Recommendation | Current Status |
|--|---|-------|--|----------------|
| <p><i>Finding #2009-1: After School Education and Safety Program Attendance Reporting</i></p> | <p>Criteria: The District must record and semi-annually report the actual pupil attendance for the After School Education and Safety (ASES) program as defined in Education Code Sections 8482.3-8484. Education Code Section 8484(a)(1)(B) requires the semi-annual attendance reports to reconcile to the underlying records of attendance.</p> <p>Condition: We found that the attendance report for Portola Middle and Jordan Elementary the underlying attendance records did not agree without exception to the semi-annual attendance reported to CDE. Jordan Elementary students served was overstated on 1st half 2008-09 by 29 student days, and Portola Middle was overstated on 1st half 2008-09 by 4 student days.</p> | 40000 | <p>In order to augment compliance efforts we recommend that a semi-annual reconciliation be performed to ensure the records maintained by the YMCA (Jordan Elementary program administrator) and Campfire (Portola Middle program administrator) ASES program administrators agree without exception to the data submitted to CDE.</p> | Implemented |
| | <p>Questioned Costs: There is no potential ASES program funding loss for Portola Middle or Jordan Elementary because the District's ASES program attendance was greater than 85% of the ASES program's estimated students served.</p> | | | |
| | <p>Context: The attendance discrepancy described herein appeared isolated to the reported attendance for the ASES program to the Portola Middle and Jordan Elementary school sites.</p> | | | |
| | <p>Cause: The YMCA and Campfire (program administrators) summary reports did not reconcile to the underlying attendance numbers.</p> | | | |