



**SANTA ANA UNIFIED  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2012**



# SANTA ANA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2012

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# SANTA ANA UNIFIED SCHOOL DISTRICT

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## *INTRODUCTORY SECTION*

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## 2011-12 Audited Financials

### Mission Statement

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

### Vision Statement

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

### Board of Education Priorities

- Ensuring fiscal solvency
- Preserving staff, continuing to provide elementary support staff
- Maintaining integrity of programs, protecting services to the most vulnerable students
- School safety, health and well-being
- Maintaining athletics and music programs
- Maintaining 180-day instructional calendar



### Superintendent's Message

The 2011-2012 school year was another successful one for the Santa Ana Unified School District. Our schools received numerous honors and accolades, including National Blue Ribbon and Distinguished School awards and State Academic Title I Achievement and California School Board Association Golden Bell awards. The *Orange County Register* included 10 SAUSD elementary schools in their "best of" rankings, and Middle College High School in the high school category. Students from Santa Ana Valley and Century High Schools were successful in prestigious national competitions, and our college-going rate increased to 56.9% -- a 6% increase over last year. Student performance reached impressive double-digit improvement in 1<sup>st</sup> grade reading (10%), 4<sup>th</sup> grade writing proficiency (57%) and 5<sup>th</sup> grade science standards (11%).

We are implementing the "Seven C's" – the building blocks that prepare all students to be career and college ready – and they are helping move SAUSD to unprecedented levels of achievement for our students, teachers and schools. The "Seven C's" include (see page 7 for detailed definition):

- Clear Focus on Learning
- Comprehensive Accountability
- Climate
- Capital
- Communication
- Community and Parent Involvement
- Commitment and Capacity

Despite all of this great momentum and success, SAUSD still faces some large challenges. The ongoing fiscal constraints imposed by the State of California will continue to impact public education, and only serve to undermine the state's future viability and seriously threaten the hopes and dreams of its young residents.

We thank you for your continued support and ask you to contact our State and Federal leaders to urge them to continue to support education by sparing SAUSD and other public school districts from any new reductions and provide flexibility in the use of State and Federal categorical dollars for any educational purpose, rather than restricting expenditures to a narrowly defined spectrum.



### Deputy Superintendent, Operations, CBO's Message

The District's Budget adopted on June 26th represents projections of the District's financials for 2012-13 and two subsequent years. The key building blocks are the assumptions from 1) Governor's May Revision, 2) that all one-time sources of revenue, including Fund 17 and ARRA and Jobs Bill funds are exhausted, 3) that step and column salary increases are included, 4) that salary COLA increases are excluded, 5) that carryovers are excluded, 6) that QEIA and K-3 CSR flexibility are expired in 2013-14, and 7) that the budget reduction target for 2013-14 is between \$40 million and \$47 million and will be adjusted after the November 2012 election.

The adopted budget also contains what is referred to as estimated actual results for 2011-12 as of June 30.

It is the finalization of those estimated actuals in June that are now being completed, which now become the final unaudited financial statements for the 2011-12 fiscal year. These financials are called the Unaudited Actuals and must be issued on or before September 15th of each year.

Every California school district is required to prepare year-end financial statements on forms that are prescribed by the State Superintendent of Public Instruction (SPI). The forms prescribed by the SPI are the Unaudited Actuals.

The Unaudited Actuals are used as the basis for the financial statements prepared as a part of the District's annual financial audit report. The annual financial audit report is prepared by a certified public accountancy firm and is required to be issued on or before December 15th of each year.

This report contains a summary of the change in fund balance for each operating fund, between the estimates made in June and the final results at the conclusion of the years financial activities, commonly referred to as "closing the books".

In addition, this report also contains all the forms required by the California Department of Education.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The Unaudited Financial Statements for the 2011-12 represent the District's financial transactions throughout the fiscal year. The unaudited financial statements have not yet been audited for compliance with Generally Accepted Accounting Principles (GAPP) or Governmental Accounting Standards Board (GASB) guidelines.

## DEFINITIONS

### Restricted and Unrestricted

**Restricted Resources** – Restricted programs or activities are those funded from external revenue sources legally restricted or restricted by the donor to specific purposes. Unrestricted revenues are those funds whose uses are not subject to specific constraints and may be used for any purposes not prohibited by law. Programs funded by a combination of restricted and unrestricted sources will be accounted for and reported as *restricted*. (CSAM Section 105)

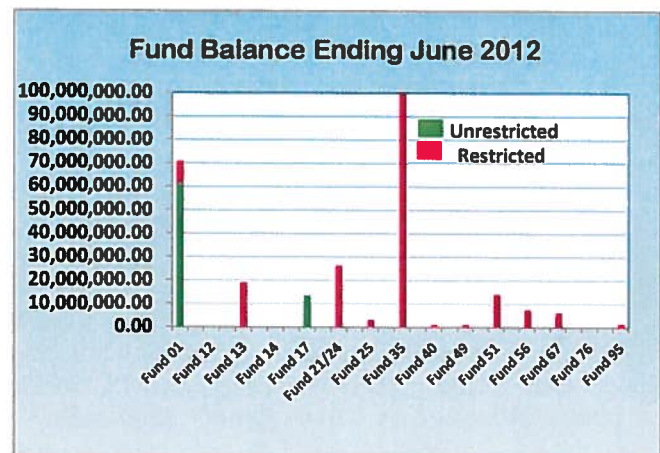
**Unrestricted Resources** – Funds or activities that are not restricted or designated by the donor, but rather by the LEA's governing board, will be accounted for and reported as *unrestricted*. LEAs will need to review other local revenue received from external sources to determine whether legal restrictions apply for purposes of restricted or unrestricted designations. (CSAM Section 105)

**Fund Balance** – In governmental funds, the difference between assets and liabilities is reported as fund balance. Fund balance is divided into reserved and unreserved portions. Reserved fund balance is the portion that is not available for expenditure or that is legally segregated for a specific future use and therefore cannot be appropriated. For example, Stores, Prepaid Expenditures, and Revolving Cash are not available for spending, so the portion of fund balance represented by these items must be reserved.

## FINANCIAL HIGHLIGHTS

### The District as a Whole

**Fund Balance** – The District's total fund balance was \$264.8 million for the fiscal year ended June 30, 2012.





## The General Fund

The General Fund, (prior to the required GASB Statement No. 54 consolidation) had an ending fund balance of \$70.6 million for the fiscal year ended June 30, 2012.

Of this amount, \$61.4 million were unrestricted and comprised of the following:

- \$44.9 million were cash
- \$103.8 million were receivables, which were offset by \$88.3 million in liabilities
- The remaining \$1 million were inventory

General Fund (Millions)	Unrestricted	Restricted	Total
<b>Assets</b>			
Cash	44.90	(5.00)	39.90
Accounts Receivables	103.80	26.00	129.80
Inventory	1.00		1.00
<b>Total Assets</b>	<b>\$149.70</b>	<b>\$21.00</b>	<b>\$170.70</b>
<b>Liabilities</b>			
Accounts Payable	14.80	11.60	26.40
County Borrowing	73.40		73.40
<b>Total Liabilities</b>	<b>\$88.20</b>	<b>\$11.60</b>	<b>\$99.80</b>
<b>Fund Balance</b>	<b>\$61.50</b>	<b>\$9.40</b>	<b>\$70.90</b>

## General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 22, 2012. The unaudited ending fund balance for the general fund was \$5.6 million more than anticipated due to the following:

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

- Less than anticipated contributions from Unrestricted General Fund to the following Restricted programs:
  - Special Education
  - Ongoing & Major Maintenance Account (OMMA)
  - Home-to-School Transportation
  - VAPA programs

- Restricted favorable variance is primarily attributable to less than anticipated spending in the following programs:

- Lottery
- Instructional Materials
- Medi-Cal
- Special Education: Mental Health Services, and other local programs

General Fund (Millions)	2011-12 Estimated Fund Balance	2011-12 Unaudited Actuals Fund Balance	Difference
Unrestricted	57.8	61.4	3.6
Restricted	7.2	9.2	2
<b>Total</b>	<b>\$65.00</b>	<b>\$70.60</b>	<b>\$5.60</b>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

On June 30, 2012, the District had \$834 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment.

Land Improvements and Building: \$518 million

Equipment: \$10 million

This year's addition of \$98.5 million included several completed construction projects consisting of the following:

Project Site	Improvement Amount
Sepulveda Elementary	555,344
Lincoln Elementary	735,170
Kennedy Elementary	1,528,276
Madison Elementary	1,646,077
Jackson Elementary	3,595,213
Valley High school	4,186,225
Sierra Intermediate	6,956,506
Saddleback High School	13,335,694
Various Projects	5,399,481
<b>Total Improvements</b>	<b>37,937,987</b>

## **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-12 ARE NOTED BELOW:**

### **Academic Highlights:**

- SAUSD's Medalist in Orange County Register's 2012 Public High Schools Ranking:
  - Bronze – Esqueda, Santiago, and Sepulveda
  - Silver – Carver, Greenville Fundamental, Monroe, and Romero-Cruz
  - Gold – Harvey, Muir Fundamental, Thorpe Fundamental, Middle College H.S.
- U.S. News annual rankings of the Best High Schools in the country include silver medals for Segerstrom and Godinez high schools.
- Graduated 32 students with a high school diploma and AA degree
- SAUSD's college going rate is 56.9%, a growth of nearly 6% from the prior year
- 91% of SAUSD schools made the target for English Learners making progress in English Language proficiency
- National Center for Urban School Transformation – 2012 NCUST Excellence in Urban Education Award
  - Thorpe Fundamental Elementary
- 6th Annual Construction Industry Round Table (CIRT) – Architecture, Construction and Engineering (ACE) Design Competition – Century High School's ACE team placed first in the "History Museum" category and third overall in this national competition
- National Cooking Up Change Competition – Valley High School's Culinary Arts Academy, students won first place in the Washington, D.C. competition
- \$62,550,834 in State Funding received for 24 School Facilities' improvements
- All schools inspected and deemed by the Orange County Department of Education as clean, safe, and functional

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Santa Ana Unified School District  
Santa Ana, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 9 through 18, budgetary comparison information and other postemployment benefits information on pages 66 and 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information, such as the introductory section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

VAD RISK, TRUST, DEY & CO. LLP

Rancho Cucamonga, California  
December 4, 2012



# Santa Ana Unified School District

Thelma Meléndez de Santa Ana, Ph.D., Superintendent

This section of Santa Ana Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

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

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

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

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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



# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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

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

## THE DISTRICT AS A TRUSTEE

### Reporting the District's Fiduciary Responsibilities

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$653.4 million for the fiscal year ended June 30, 2012, reflecting an increase of 8.1 percent since June 30, 2011. Of this amount, \$4.7 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and other assets	\$ 406,570,006	\$ 392,842,504
Capital assets	833,653,218	747,408,617
<b>Total Assets</b>	<b>1,240,223,224</b>	<b>1,140,251,121</b>
<b>Liabilities</b>		
Current liabilities, including current portion of long-term obligations	123,804,293	84,488,666
Long-term obligations	463,043,862	451,495,118
<b>Total Liabilities</b>	<b>586,848,155</b>	<b>535,983,784</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	492,427,427	447,718,296
Restricted	156,296,855	129,718,415
Unrestricted	4,650,787	26,830,626
<b>Total Net Assets</b>	<b>\$ 653,375,069</b>	<b>\$ 604,267,337</b>

The \$4.7 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 20. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,599,308	\$ 3,709,138
Operating grants and contributions	187,827,874	178,177,715
Capital grants and contributions	62,996,190	96,474,338
General revenues:		
Federal and State aid not restricted	241,503,171	237,635,149
Property taxes	98,947,477	103,559,138
Other general revenues	20,010,589	34,233,330
<b>Total Revenues</b>	<b>614,884,609</b>	<b>653,788,808</b>
<b>Expenses</b>		
Instruction	333,923,996	340,344,639
Instruction-related	66,664,454	67,727,638
Student support services	61,138,941	61,236,368
Administration	20,273,705	18,261,763
Plant services	47,179,729	49,100,554
Interest on long-term obligations	20,922,986	18,775,457
Other	15,673,066	19,645,248
<b>Total Expenses</b>	<b>565,776,877</b>	<b>575,091,667</b>
<b>Change in Net Assets</b>	<b>\$ 49,107,732</b>	<b>\$ 78,697,141</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 20, the cost of all of our governmental activities this year was \$565.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$98.9 million because the cost was paid by those who benefited from the programs (\$3.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$250.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$261.5 million in State funds, and with other revenues, like interest and general entitlements.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 333,923,996	\$ 340,344,639	\$ 159,593,350	\$ 144,578,988
Instruction-related	66,664,454	67,727,638	40,494,568	39,393,318
Student support services	61,138,941	61,236,368	17,304,060	18,148,282
Administration	20,273,705	18,261,763	16,095,398	14,428,242
Plant services	47,179,729	49,100,554	44,977,474	45,182,737
Interest on long-term obligations	20,922,986	18,775,457	20,922,986	18,775,457
Other	15,673,066	19,645,248	11,965,669	16,223,452
<b>Total</b>	<b>\$ 565,776,877</b>	<b>\$ 575,091,667</b>	<b>\$ 311,353,505</b>	<b>\$ 296,730,476</b>

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$258.4 million, which is a decrease of \$47.7 million from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	\$ 100,313,053	\$ 486,478,954	\$ 502,541,274	\$ 84,250,733
County School Facilities Fund	84,845,225	63,064,069	46,289,398	101,619,896
Non-Major Governmental Funds	120,964,358	63,944,463	112,359,065	72,549,756
<b>Total</b>	<b>\$ 306,122,636</b>	<b>\$ 613,487,486</b>	<b>\$ 661,189,737</b>	<b>\$ 258,420,385</b>

The primary reasons for these decreases are:

- The General Fund showed a decrease of \$16.0 million
- The Non-Major Governmental Funds showed a decrease of approximately \$48.4 million
- The County School Facilities Fund showed an increase of \$16.7 million

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 22, 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66.)

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

- Re-allocation of categorical program carryover from the prior year, and
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had \$833.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$86.3 million, or 11.5 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2012	2011
Land and construction in progress	\$ 305,705,716	\$ 245,797,457
Buildings and improvements	518,242,917	492,281,358
Furniture and equipment	9,704,585	9,329,802
<b>Total</b>	<b>\$ 833,653,218</b>	<b>\$ 747,408,617</b>

This year's additions of \$86.3 million (see Note 4) included several completed construction projects for critically over-crowded schools, modernization, new construction, vehicles and classroom equipment. The District will use the general obligation bond proceeds for construction and modernization of existing school facilities.

Several capital projects are planned for the 2012-2013 year. We anticipate capital additions to be \$275 million for the 2012-2013 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

### Long-Term Obligations

At the end of this year, the District had \$463.0 million in long-term obligations versus \$470.6 million last year, a decrease of 1.6 percent. The obligations consisted of:

**Table 6**

	Governmental Activities	
	2012	2011
General obligation bonds - net (financed with property taxes)	\$ 338,777,570	\$ 342,775,837
Certificates of participation - net	55,617,853	56,177,386
Qualified zone academy bonds	11,500,000	11,500,000
Lease certificates	2,900,425	3,705,693
Compensated absences	498,299	572,922
Supplemental employment retirement plan	3,006,793	5,225,674
Claims liability	18,545,763	21,870,151
Other postemployment benefits	32,197,159	28,791,535
<b>Total</b>	<b>\$ 463,043,862</b>	<b>\$ 470,619,198</b>

The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$338 million is significantly below this \$1.1 billion statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, lease certificates, compensated absences payable, other postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

- SAUSD's Medalist in Orange County Register's 2012 Public High Schools Ranking:
  - Bronze – Esqueda, Santiago, and Sepulveda
  - Silver – Carver, Greenville Fundamental, Monroe, and Romero-Cruz
  - Gold – Harvey, Muir Fundamental, Thorpe Fundamental, Middle College High School
- U.S. News annual rankings of the Best High Schools in the country include silver medals for Segerstrom and Godinez high schools
- Graduated 32 students with a high school diploma and AA degree
- SAUSD's college going rate is 56.9 percent, a growth of nearly 6.0 percent from the prior year
- 91 percent of SAUSD schools made the target for English Learners making progress in English Language proficiency

## **SANTA ANA UNIFIED SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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- National Center for Urban School Transformation – 2012 NCUST Excellence in Urban Education Award
  - Thorpe Fundamental Elementary
- 6th Annual Construction Industry Round Table (CIRT) – Architecture, Construction and Engineering (ACE) Design Competition – Century High School's ACE team placed first in the "History Museum" category and third overall in this national competition
- National Cooking Up Change Competition – Valley High School's Culinary Arts Academy, students won first place in the Washington, D.C. competition
- \$62,550,834 in State Funding received for 24 school facilities' improvements
- All schools inspected and deemed by the Orange County Department of Education as clean, safe, and functional

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

In considering the District Budget for the 2012-2013 year, the governing board and management used the following criteria:

The key revenue forecast assumptions are as follows:

- (1) The budget was initially based on the "May Revise", which represents the Governor's final recommended budget to our State Legislature, and later revised based on the State adopted budget. The key components of the State Adopted Budget include:
  - (a) Revenue Limit deficit of 22.272 percent;
  - (b) Statutory COLA of 3.24 percent;
  - (c) Trigger cut of \$441 per ADA if the November 2012 tax measure fails;
  - (d) No funding for mandate claims.
- (2) The District's major source of income is from the Revenue Limit. Since the 2003-2004 fiscal year, the District has been experiencing a declining enrollment in excess of 1,000 students with losses peaking at 2,300+ students in 2005-2006. In 2009-2010 and 2010-2011 the District experienced a loss of 500 students and 609 students, respectively. In 2011-2012 the District experienced a declining enrollment of 482 students. For 2012-2013 the District is projecting a decline in student enrollment of 257 students based on the most recent student enrollment projections.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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Expenditures were based on the following:

(1) Staffing ratios:

	Staffing Ratio	Enrollment
Kindergarten	31:1	4,656
Grade one	30:1	4,747
Grade two	30:1	4,436
Grade three	30:1	4,230
Grades four through five	34:1	8,384
Grades six through eight	33.5:1	11,694
Grades nine through twelve	32.5:1	15,352

- (2) The budget includes \$35.1 million in Board approved budget reductions. Inclusive of this amount, the District has made budget reductions totaling \$229.8 million over the past nine years.

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Accounting, at Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322, or e-mail at [christeen.betz@sausd.us](mailto:christeen.betz@sausd.us).



# SANTA ANA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2012

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 270,830,629
Receivables	130,655,817
Deferred cost on issuance	3,188,094
Deferred charges on refunding	657,031
Stores inventories	1,238,435
Capital assets	
Land and construction in process	305,705,716
Other capital assets	670,410,503
Less: accumulated depreciation	(142,463,001)
Total Capital Assets	833,653,218
<b>Total Assets</b>	<b>1,240,223,224</b>
<b>LIABILITIES</b>	
Accounts payable	45,094,429
Interest payable	4,419,049
Deferred revenue	854,813
Current loans	73,436,002
Long-term obligations	
Current portion of long-term obligations	15,578,112
Noncurrent portion of long-term obligations	447,465,750
Total Long-Term Liabilities	463,043,862
<b>Total Liabilities</b>	<b>586,848,155</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	492,427,427
Restricted for:	
Debt service	17,152,838
Capital projects	104,707,478
Educational programs	9,304,667
Other activities	25,131,872
Unrestricted	4,650,787
<b>Total Net Assets</b>	<b>\$ 653,375,069</b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 333,923,996	\$ 523,294	\$ 110,811,162	\$ 62,996,190	\$ (159,593,350)
Instruction-related activities:					
Supervision of instruction	28,442,653	20,141	21,461,566	-	(6,960,946)
Instructional library, media, and technology	3,693,019	1,174	105,233	-	(3,586,612)
School site administration	34,528,782	3,082	4,578,690	-	(29,947,010)
Pupil services:					
Home-to-school transportation	9,920,551	-	1,850,103	-	(8,070,448)
Food services	27,458,710	2,593,267	26,453,659	-	1,588,216
All other pupil services	23,759,680	67,171	12,870,681	-	(10,821,828)
Administration:					
Data processing	4,640,013	-	-	-	(4,640,013)
All other administration	15,633,692	96,255	4,082,052	-	(11,455,385)
Plant services	47,179,729	96,701	2,105,554	-	(44,977,474)
Facility acquisition and construction	1,570,172	-	-	-	(1,570,172)
Ancillary services	4,389,314	289	3,737	-	(4,385,288)
Community services	61,426	104	1,348	-	(59,974)
Interest on long-term obligations	20,419,939	-	-	-	(20,419,939)
Other outgo	9,652,154	197,830	3,504,089	-	(5,950,235)
<b>Total Governmental Activities</b>	<b>\$ 565,776,877</b>	<b>\$ 3,599,308</b>	<b>\$ 187,827,874</b>	<b>\$ 62,996,190</b>	<b>(311,353,505)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					79,854,132
Property taxes, levied for debt service					17,440,780
Taxes levied for other specific purposes					1,652,565
Federal and State aid not restricted to specific purposes					241,503,171
Interest and investment earnings					431,814
Miscellaneous					19,578,775
<b>Subtotal, General Revenues</b>					<b>360,461,237</b>
<b>Change in Net Assets</b>					<b>49,107,732</b>
Net Assets - Beginning					604,267,337
Net Assets - Ending					<b>\$ 653,375,069</b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2012

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 53,403,178	\$ 115,812,596	\$ 73,476,767	\$ 242,692,541
Receivables	120,276,235	43,783	9,833,815	130,153,833
Due from other funds	9,452,913	26,369	2,551,911	12,031,193
Stores inventories	1,004,750	-	233,685	1,238,435
<b>Total Assets</b>	<b>\$ 184,137,076</b>	<b>\$ 115,882,748</b>	<b>\$ 86,096,178</b>	<b>\$ 386,116,002</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 20,159,611	\$ 12,926,077	\$ 10,225,374	\$ 43,311,062
Due to other funds	5,435,917	1,336,775	3,321,048	10,093,740
Other current liabilities	73,436,002	-	-	73,436,002
Deferred revenue	854,813	-	-	854,813
<b>Total Liabilities</b>	<b>99,886,343</b>	<b>14,262,852</b>	<b>13,546,422</b>	<b>127,695,617</b>
<b>Fund Balances:</b>				
Nonspendable	1,174,750	-	234,650	1,409,400
Restricted	9,232,382	101,619,896	69,723,123	180,575,401
Committed	-	-	1,476,799	1,476,799
Assigned	50,382,581	-	1,115,184	51,497,765
Unassigned	23,461,020	-	-	23,461,020
<b>Total Fund Balances</b>	<b>84,250,733</b>	<b>101,619,896</b>	<b>72,549,756</b>	<b>258,420,385</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 184,137,076</b>	<b>\$ 115,882,748</b>	<b>\$ 86,096,178</b>	<b>\$ 386,116,002</b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 258,420,385</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 976,116,219	
Accumulated depreciation is	<u>(142,463,001)</u>	
Net Capital Assets		833,653,218
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		3,188,094
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(4,419,049)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		6,373,489
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included with governmental activities.		657,031
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	302,027,117	
Premium on issuance of bonds	9,801,659	
Certificates of participation	41,017,742	
Premium on issuance of certificates	1,349,315	
Qualified zone academy bonds	11,500,000	
Lease certificates	2,900,425	
Compensated absences (vacations)	498,299	
Supplemental employment retirement plan	3,006,793	
Net OPEB obligation	32,197,159	
In addition, the District has issued "capital appreciation" bonds and certificates. The accretion of interest on those bonds and certificates to date is the following:		
Total Long-Term Obligations	<u>40,199,590</u>	(444,498,099)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 653,375,069</u></b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND

### CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Revenue limit sources	\$ 277,131,858	\$ -	\$ -	\$ 277,131,858
Federal sources	75,775,555	-	28,984,416	104,759,971
Other State sources	124,109,255	62,550,834	3,849,029	190,509,118
Other local sources	9,462,286	513,235	25,381,128	35,356,649
<b>Total Revenues</b>	<b>486,478,954</b>	<b>63,064,069</b>	<b>58,214,573</b>	<b>607,757,596</b>
<b>EXPENDITURES</b>				
Current				
Instruction	328,150,209	-	1,017,215	329,167,424
Instruction-related activities:				
Supervision of instruction	26,757,996	-	200,590	26,958,586
Instructional library, media and technology	3,704,597	-	-	3,704,597
School site administration	34,545,383	-	84,297	34,629,680
Pupil services:				
Home-to-school transportation	9,921,423	-	-	9,921,423
Food services	27,650	-	27,470,882	27,498,532
All other pupil services	22,318,906	-	127,401	22,446,307
Administration:				
Data processing	4,728,818	-	-	4,728,818
All other administration	14,124,818	-	1,035,957	15,160,775
Plant services	42,260,088	78,917	3,811,762	46,150,767
Facility acquisition and construction	292,765	46,210,481	53,599,039	100,102,285
Ancillary services	4,399,898	-	-	4,399,898
Community services	61,653	-	-	61,653
Other outgo	3,206,419	-	-	3,206,419
Debt service				
Principal	1,308,315	-	12,040,000	13,348,315
Interest and other	286,601	-	12,971,922	13,258,523
<b>Total Expenditures</b>	<b>496,095,539</b>	<b>46,289,398</b>	<b>112,359,065</b>	<b>654,744,002</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(9,616,585)</b>	<b>16,774,671</b>	<b>(54,144,492)</b>	<b>(46,986,406)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	5,729,890	5,729,890
Transfers out	(6,445,735)	-	-	(6,445,735)
<b>Net Financing Sources (Uses)</b>	<b>(6,445,735)</b>	<b>-</b>	<b>5,729,890</b>	<b>(715,845)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(16,062,320)</b>	<b>16,774,671</b>	<b>(48,414,602)</b>	<b>(47,702,251)</b>
<b>Fund Balances - Beginning</b>	<b>100,313,053</b>	<b>84,845,225</b>	<b>120,964,358</b>	<b>306,122,636</b>
<b>Fund Balances - Ending</b>	<b>\$ 84,250,733</b>	<b>\$ 101,619,896</b>	<b>\$ 72,549,756</b>	<b>\$ 258,420,385</b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

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<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ (47,702,251)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	\$ 98,527,144	
Depreciation expense	<u>(12,282,543)</u>	
Net Expense Adjustment		86,244,601
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (retirement incentives) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were special termination benefits paid in the amount of \$2,218,881. Vacation earned was less than the amounts paid by \$74,623.		2,293,504
Other postemployment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(3,405,624)
Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	497,510	
Amortization of cost of issuance	(135,208)	
Amortization of deferred gain on refunding	<u>(38,649)</u>	323,653
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
General obligation bonds		10,020,000
Certificates of participation		2,020,000
Lease certificates		805,268

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

## SANTA ANA UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2012

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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the two factors. First, accrued interest on the general obligation bonds and certificates of participation increased by \$494,641, and second, \$7,979,710 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.

\$ (7,485,069)

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net deficit of the Internal Service Fund is reported with governmental activities.

5,993,650

#### **Change in Net Assets of Governmental Activities**

\$ 49,107,732

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 28,138,088
Receivables	501,984
Due from other funds	4,587,032
<b>Total Current Assets</b>	<u>33,227,104</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	1,783,367
Due to other funds	6,524,485
Current portion of long-term obligations	3,032,031
<b>Total Current Liabilities</b>	<u>11,339,883</u>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of long-term obligations	<u>15,513,732</u>
<b>NET ASSETS</b>	
Restricted	6,373,489
<b>Total Net Assets</b>	<u>\$ 6,373,489</u>

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



# SANTA ANA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	<u>\$ 9,830,782</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	1,655,303
Supplies and materials	75,617
Facility rental	33,182
Other operating cost	<u>2,945,855</u>
<b>Total Operating Expenses</b>	<u>4,709,957</u>
<b>Operating Income</b>	<u>5,120,825</u>
<b>NONOPERATING REVENUES</b>	
Interest income	156,980
Transfers in	<u>715,845</u>
<b>Total Nonoperating Revenues</b>	<u>872,825</u>
<b>Change in Net Assets</b>	<u>5,993,650</u>
<b>Total Net Assets - Beginning</b>	<u>379,839</u>
<b>Total Net Assets - Ending</b>	<u><u>\$ 6,373,489</u></u>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 4,756,737
Other operating cash receipts	524,299
Cash payments to other suppliers of goods or services	1,605,402
Cash payments to employees for services	4,465,380
Other operating cash payments	(6,270,243)
Net Cash Provided by Operating Activities	<u>5,081,575</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from other funds	<u>715,845</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>156,980</u>
Net increase in cash and cash equivalents	5,954,400
Cash and cash equivalents - Beginning	22,183,688
Cash and cash equivalents - Ending	<u>\$ 28,138,088</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 5,120,825
Changes in assets and liabilities:	
Receivables	(486,689)
Due from other funds	(4,063,057)
Prepaid expenditures	115,661
Accounts payable	1,598,540
Due to other fund	6,120,683
Claims liability	(3,324,388)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 5,081,575</u>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 3,190,843
<b>LIABILITIES</b>	
Accounts payable	\$ 77,872
Due to student groups	1,385,094
Due to bondholders	1,727,877
<b>Total Liabilities</b>	<b>\$ 3,190,843</b>

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Component Units

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

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

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

### Other Related Entities

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

### Basis of Presentation Fund Accounting

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

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$13,636,976, \$13,636,093, \$460,318, and \$0, respectively.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

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

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

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

**Debt Service Fund for Blended Component Units** This fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

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

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

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

### **Basis of Accounting - Measurement Focus**

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

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

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

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### **Investments**

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental columns of the Statement of Net Assets.

### **Compensated Absences**

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Deferred Issuance Costs and Premiums**

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

### **Fund Balances - Governmental Funds**

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

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

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

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$156,296,855 of restricted net assets, which is restricted by enabling legislation.

### **Operating Revenues and Expenses**

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

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **Interfund Activity**

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

### **Estimates**

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

### **Budgetary Data**

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

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

### **Property Tax**

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

### **New Accounting Pronouncements**

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 270,830,629
Fiduciary funds	3,190,843
Total Deposits and Investments	<u>\$ 274,021,472</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 1,177,715
Cash in revolving	720,965
Investments	272,122,792
Total Deposits and Investments	<u>\$ 274,021,472</u>

#### Policies and Practices

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

### General Authorizations

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

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

### Interest Rate Risk

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



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Investment Type	Amount Reported	Fair Value	Average Maturity in Days/ Maturity Date
Orange County Investment Pool	\$ 262,048,882	\$ 261,152,559	347 days
Dreyfus Institutional Reserve Treasury Money Market Fund	2,607,206	2,607,206	55 days
INVESCO Government and Agency Money Market Fund	874	874	36 days
ABBEY National North American LLC Commercial Paper	3,291,875	3,347,469	10/29/12
FORTIS FDG LLC Commercial Paper	4,173,955	4,238,664	12/19/12
Total	<u>\$ 272,122,792</u>	<u>\$ 271,346,772</u>	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the Orange County Investment Pool has been rated Aaa by Moody's Investor Service as of June 30, 2012. The investment in Dreyfus Institutional Reserve Treasury Fund and the investment in INVESCO Government and Agency Money Market Fund have been rated Aaa-mf by Moody's Investor Service as of June 30, 2012. Both the investment in Abby National North American Commercial paper and Fortis LLC Commercial Paper have been rated P-1 by Moody's Investor Service as of June 30, 2012.

### Concentration of Credit Risk

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of \$464,733 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in Abbey National North American LLC of \$3,291,875 and Fortis LLC of \$4,173,955, the District has a custodial credit risk exposure of \$7,465,880 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 9,300,064	\$ -	\$ 6,822,133	\$ -	\$ 16,122,197
State Government					
Apportionment	88,733,063	-	-	-	88,733,063
Categorical aid	10,500,240	-	685,542	-	11,185,782
Lottery	3,992,491	-	-	-	3,992,491
Local Government					
Interest	28,430	43,783	13,976	11,025	97,214
Regional occupational program	1,195,057	-	-	-	1,195,057
City of Santa Ana	936,316	-	526,923	-	1,463,239
Orange County Superintendent of Schools	-	-	-	490,840	490,840
Other Local Sources	5,590,574	-	1,785,241	119	7,375,934
Total	<u>\$ 120,276,235</u>	<u>\$ 43,783</u>	<u>\$ 9,833,815</u>	<u>\$ 501,984</u>	<u>\$ 130,655,817</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 136,172,405	\$ -	\$ -	\$ 136,172,405
Construction in progress	109,625,052	97,846,246	37,937,987	169,533,311
Depreciated	245,797,457	97,846,246	37,937,987	305,705,716
Capital Assets Being Depreciated:				
Land improvements	24,920,609	-	-	24,920,609
Buildings and improvements	594,975,066	37,644,121	-	632,619,187
Furniture and equipment	11,895,943	974,764	-	12,870,707
Total Capital Assets Being Depreciated	631,791,618	38,618,885	-	670,410,503
Total Capital Assets	877,589,075	136,465,131	37,937,987	976,116,219
Less Accumulated Depreciation:				
Land improvements	16,508,184	507,996	-	17,016,180
Buildings and improvements	111,106,133	11,174,566	-	122,280,699
Furniture and equipment	2,566,141	599,981	-	3,166,122
Total Accumulated Depreciation	130,180,458	12,282,543	-	142,463,001
Governmental Activities Capital Assets, Net	\$ 747,408,617	\$ 124,182,588	\$ 37,937,987	\$ 833,653,218

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

<b>Governmental Activities</b>	
Instruction	\$ 7,799,415
Supervision of instruction	1,547,600
All other pupil services	1,375,645
All other administration	429,889
Plant services	1,129,994
Total Depreciation Expenses Governmental Activities	<u>\$ 12,282,543</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, and the internal service fund are as follows:

Due To	Due From				Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 2,928,428	\$ 6,524,485	\$ 9,452,913
County School Facilities Fund	5,507	-	20,862	-	26,369
Non-Major Governmental Funds	1,123,828	1,336,775	91,308	-	2,551,911
Internal Service Fund	4,306,582	-	280,450	-	4,587,032
Total	<u>\$ 5,435,917</u>	<u>\$ 1,336,775</u>	<u>\$ 3,321,048</u>	<u>\$ 6,524,485</u>	<u>\$ 16,618,225</u>

A balance of \$583,510 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of salaries and benefits paid.

A balance of \$2,214,761 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of salaries and benefits paid.

A balance of \$57,139 due to the General Fund from the Capital Facilities Non-Major Governmental Fund resulted from reimbursement of portable rental leases.

A balance of \$6,500,000 due to the General Fund from the Internal Service Fund resulted from the repayment of an interfund loan.

The balance of \$1,336,775 due to the Building Non-Major Governmental Fund from the County School Facilities Fund resulted from the reclassification of building/modernization expenses.

The balance of \$4,306,582 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To		Transfer From
		General Fund
Non-Major Governmental Funds		\$ 5,729,890
Internal Service Funds		715,845
Total		<u>\$ 6,445,735</u>
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for the required program match.		\$ 1,882,711
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.		3,847,179
The General Fund transferred to the Internal Service Fund for program reimbursement costs.		715,845
Total		<u>\$ 6,445,735</u>

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Vendor payables	\$ 2,516,421	\$ 451,611	\$ 383,120	\$ -	\$ 3,351,152	\$ -
Salaries and benefits	10,781,814	-	839,379	1,609,861	13,231,054	-
Books and supplies	2,290,357	79,532	1,060,517	-	3,430,406	-
Construction	92,481	12,394,934	7,315,508	-	19,802,923	-
Services and other operating payables	4,478,538	-	626,850	173,506	5,278,894	77,872
Total	<u>\$ 20,159,611</u>	<u>\$ 12,926,077</u>	<u>\$ 10,225,374</u>	<u>\$ 1,783,367</u>	<u>\$ 45,094,429</u>	<u>\$ 77,872</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	\$ 811,886
State categorical aid	9,858
Other local	33,069
Total	<u>\$ 854,813</u>

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

The District issued \$10,000,000 of Tax and Revenue Anticipation Notes dated March 16, 2011. The notes mature on December 1, 2011 with an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment terms stipulate that 100 percent of the principle and interest is due on the account to a designated Fiscal Agent by the notes' maturity date. During the year, the District fulfilled its obligation and did not have an outstanding 2011-2012 Tax and Revenue Anticipation Note.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2011	Additions	Payments	Outstanding June 30, 2012
03/16/11	2.00%	12/01/11	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>

### NOTE 9 - LOAN FROM COUNTY TREASURER

On February 28, 2012, in accordance with California Constitution Article XVI, Section 6 and Education Code Section 42620, the District entered into a Bridge Transfer Agreement with the County of Orange, whereby the District borrowed \$4,023,422 from the County Treasurer to meet current maintenance expenses of the District. Repayment terms require installments to be paid with interest as follows: 14.6 percent due in May 2012, 50.2 percent due in July 2012, and 35.2 percent due August 2012. Interest on the loan will accrue and be payable by the District at a rate equal to the gross rate the Orange County Investment Pool is earning for the same period from the date of the Bridge Transfer plus five basis points until the entire loan and applicable interest is repaid. At June 30, 2012, the District had an outstanding loan balance in the amount of \$3,436,002.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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On March 13, 2012, in accordance with California Constitution Article XVI, Section 6 and *Education Code* Section 42620, the District entered into a Temporary Transfer Agreement with the County of Orange, whereby the District borrowed \$70,000,000 from the County Treasurer to meet current maintenance expenses of the District. Repayment terms require full repayment be made no later than October 31 following each fiscal year. Interest on the loan will accrue and be payable by the District at a rate equal to the gross rate the Orange County Investment Pool is earning for the same period from the date of the temporary transfer plus five basis points until the entire loan and applicable interest is repaid. At June 30, 2012, the District had an outstanding loan balance in the amount of \$70,000,000.

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 332,532,890	\$ 6,463,021	\$ 10,020,000	\$ 328,975,911	\$ 7,105,000
Premium on issuance	10,242,947	-	441,288	9,801,659	-
Certificates of participation (COPs)	54,771,849	1,516,689	2,020,000	54,268,538	2,320,000
Premium on issuance	1,405,537	-	56,222	1,349,315	-
2002 Qualified zone academy bonds	7,000,000	-	-	7,000,000	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Lease certificates	3,705,693	-	805,268	2,900,425	902,200
Compensated absences	572,922	-	74,623	498,299	-
Supplemental employment retirement plan (SERP)	5,225,674	-	2,218,881	3,006,793	2,218,881
Claims liability	21,870,151	-	3,324,388	18,545,763	3,032,031
Other postemployment benefits (OPEB)	28,791,535	12,338,411	8,932,787	32,197,159	-
	<u>\$ 470,619,198</u>	<u>\$ 20,318,121</u>	<u>\$ 27,893,457</u>	<u>\$ 463,043,862</u>	<u>\$ 15,578,112</u>

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made in the Debt Service Fund for Blended Component Units. Lease certificates are made from the General Fund. The accrued vacation will be paid by the fund for which the employees worked. The claims liability is paid from the Internal Service Fund. Supplemental early retirement plan will be paid by the General Fund. Other postemployment benefits are generally paid by the General Fund.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Accreted	Redeemed	Bonds Outstanding June 30, 2012
07/11/02	08/01/32	3.00-5.375%	\$ 38,000,000	\$ 19,895,000	\$ -	\$ 845,000	\$ 19,050,000
10/30/02	08/01/32	2.68-5.530%	50,828,156	49,931,289	2,467,672	3,510,000	48,888,961
08/06/08	08/01/33	3.50-5.510%	99,997,856	98,592,347	790,667	3,550,000	95,833,014
11/12/09	08/01/29	3.00-4.250%	49,775,000	48,625,000	-	1,820,000	46,805,000
11/20/09	08/01/47	6.54-7.337%	34,861,114	37,894,326	2,920,007	-	40,814,333
11/20/09	09/15/26	5.910%	19,240,000	19,240,000	-	-	19,240,000
12/02/10	08/01/20	3.00-5.00%	8,591,011	8,754,928	284,675	-	9,039,603
12/02/10	08/01/28	6.450%	17,535,000	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	12,290,000	-	295,000	11,995,000
				<u>\$ 332,532,890</u>	<u>\$ 6,463,021</u>	<u>\$ 10,020,000</u>	<u>\$ 328,975,911</u>

### 1999 General Obligation Bonds, Series 2002

On July 11, 2002, the District issued in the aggregate principal amount of \$38,000,000 in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, and yield an interest rate of 3.00 to 5.375 percent. At June 30, 2012, the principal balance outstanding was \$19,050,000.

### 1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of \$50,828,156 (accreting to \$110,565,000 at maturity) in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, and yield an interest rate of 2.68 to 5.53 percent. At June 30, 2012, the principal balance outstanding was \$48,888,961 (including accreted interest to date).

### 2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued in \$94,235,000 in current interest bonds and \$5,762,856 in capital appreciation bonds (accreting to \$22,700,000 at maturity) with an original premium of \$6,022,280 and cost of issuance of \$1,493,943. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2033, and yield an interest rate of 3.50 to 5.51 percent. At June 30, 2012, the principal balance outstanding was \$95,833,014 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2012, was \$5,058,715.



# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

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

On November 12, 2009, the District issued \$49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of \$46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity to occur on August 1, 2029 and yield interest rates ranging between 3.00 to 4.25 percent. At June 30, 2012, the principal balance outstanding was \$46,805,000.

### **2008 General Obligation Bonds, Series B**

On November 20, 2009, the District issued capital appreciation bonds in the amount of \$34,861,114 (accreting to \$418,255,000 at maturity) with an original premium of \$1,809,422 and cost of issuance of \$733,729. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2047, and yield an interest rate of 6.54 to 7.337 percent. At June 30, 2012, the principal balance outstanding was \$40,814,333 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2012, was \$1,690,382.

### **2008 General Obligation Bonds, Series C**

On November 20, 2009, the District issued \$19,240,000 in qualified school construction capital appreciation bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on September 15, 2026, and yield an interest rate of 5.91 percent. At June 30, 2012, the principal balance outstanding was \$19,240,000.

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

On December 2, 2010, the District issued \$6,445,000 in current interest bonds and \$2,146,011 (accreting to \$5,875,000 at maturity) in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2020 and yield an interest rate of 3.00 to 5.00 percent. At June 30, 2012, the principal balance outstanding was \$9,039,603 (including accreted interest to date).

On December 2, 2010, the District issued \$19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2041 and yield an interest rate of 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2012, the principal balance outstanding was \$19,775,000.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

On December 2, 2010, the District issued \$17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2028 and yield an interest rate of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2012, the principal balance outstanding was \$17,535,000. Unamortized premium received on the bonds as of June 30, 2012 was \$2,248,793.

### 2010 General Obligation Refunding Bonds

On December 2, 2010, the District issued \$12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of \$12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2022 and yield interest rates ranging between 2.50 to 5.00 percent. At June 30, 2012, the principal balance outstanding was \$11,995,000. Unamortized premium received on the bonds as of June 30, 2012 was \$803,769.

### Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Compound Interest Paid at Maturity	Total
2013	\$ 7,031,234	\$ 73,766	\$ 10,066,797	\$ 17,171,797
2014	7,822,343	222,657	10,092,620	18,137,620
2015	8,353,722	376,278	10,074,021	18,804,021
2016	8,838,992	526,008	10,022,476	19,387,476
2017	9,258,380	676,620	9,938,470	19,873,470
2018-2022	45,268,251	8,796,190	59,784,524	113,848,965
2023-2027	56,384,819	8,593,754	58,289,442	123,268,015
2028-2032	102,929,889	17,850,111	39,454,706	160,234,706
2033-2037	45,589,001	66,190,999	10,889,494	122,669,494
2038-2042	14,059,463	35,305,537	2,077,390	51,442,390
2043-2047	-	-	-	-
2048	23,439,817	279,175,183	-	302,615,000
Total	<u>\$ 328,975,911</u>	<u>\$ 417,787,103</u>	<u>\$ 220,689,940</u>	<u>\$ 967,452,954</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### Certificates of Participation (COPs)

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs			COPs
				Outstanding July 1, 2011	Accreted	Redeemed	Outstanding June 30, 2012
Oct-99	04/01/37	3.60-6.25%	\$ 17,691,700	\$ 26,461,849	\$ 1,516,689	\$ 970,000	\$ 27,008,538
May-02	04/01/13	3.00-4.25%	5,180,000	1,120,000	-	550,000	570,000
May-07	04/01/37	3.56-4.41%	29,725,000	27,190,000	-	500,000	26,690,000
				<u>\$ 54,771,849</u>	<u>\$ 1,516,689</u>	<u>\$ 2,020,000</u>	<u>\$ 54,268,538</u>

In October 1999, the Corporation issued COPs in the amount of \$17,691,700 with interest rates ranging from 3.60 to 6.25 percent. The certificates have a final maturity to occur on April 1, 2037. These certificates were issued for the construction of two elementary schools. At June 30, 2012, the principal balance outstanding was \$27,008,538, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Interest	Total
2013	\$ 955,254	\$ 54,746	\$ 101,475	\$ 1,111,475
2014	941,911	113,089	101,475	1,156,475
2015	926,598	173,402	101,475	1,201,475
2016	913,114	236,886	101,475	1,251,475
2017	1,599,924	545,076	101,475	2,246,475
2018-2022	3,069,168	1,445,832	507,375	5,022,375
2023-2027	6,885,956	7,359,044	507,375	14,752,375
2028-2032	8,966,375	18,163,625	507,375	27,637,375
2033-2037	2,750,238	3,059,762	471,350	6,281,350
Total	<u>\$ 27,008,538</u>	<u>\$ 31,151,462</u>	<u>\$ 2,500,850</u>	<u>\$ 60,660,850</u>

In May 2002, the Corporation issued COPs in the amount of \$5,180,000 with interest rates ranging from 3.00 to 4.25 percent. The certificates have a final maturity to occur on April 1, 2013. At June 30, 2012, the principal balance outstanding was \$570,000.

Year Ending June 30,	Principal	Interest	Total
2013	<u>\$ 570,000</u>	<u>\$ 24,225</u>	<u>\$ 594,225</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In May 2007, the Corporation issued COPs in the amount of \$29,725,000 with interest rates ranging from 3.56 to 4.41 percent. The certificates have a final maturity to occur on April 1, 2037. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2012, the principal balance outstanding was \$26,690,000.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 740,000	\$ 1,363,834	\$ 2,103,834
2014	875,000	1,332,384	2,207,384
2015	925,000	1,288,634	2,213,634
2016	980,000	1,242,384	2,222,384
2017	1,015,000	1,193,384	2,208,384
2018-2022	2,835,000	5,432,170	8,267,170
2023-2027	2,765,000	4,792,988	7,557,988
2028-2032	6,555,000	3,692,850	10,247,850
2033-2037	10,000,000	1,749,300	11,749,300
Total	<u>\$ 26,690,000</u>	<u>\$ 22,087,928</u>	<u>\$ 48,777,928</u>

### Qualified Zone Academy Bonds

In December 2002, the District, pursuant to a lease/purchase agreement with the Corporation, issued \$7,000,000 of 2002 Lease Revenue Bonds, Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on December 19, 2016, with the entire principal amount of \$7,000,000 due at this date. The bonds do not bear interest. In lieu of receiving periodic interest payments, eligible taxpayers who are bondholders will receive an annual Federal income tax credit. The annual base rental payment of \$395,183 to begin December 19, 2022, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the \$7,000,000 certificates upon maturity on December 19, 2016. At June 30, 2012, the principal balance outstanding was \$7,000,000.

In October 2005, the District issued \$4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. The annual base rental payment of \$230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the \$4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2012, the principal balance outstanding was \$4,500,000.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### Lease Certificates

On August 1, 2009, the District refinanced the outstanding balance of the 1990 Certificates of Participation by purchasing 2009 Current Interest Lease Certificates in the amount of \$5,118,911 with an interest rate of 3.83 percent. At June 30, 2012, the principal balance outstanding was \$2,900,425.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 902,200	\$ 111,086	\$ 1,013,286
2014	998,699	76,532	1,075,231
2015	999,526	38,282	1,037,808
Total	<u>\$ 2,900,425</u>	<u>\$ 225,900</u>	<u>\$ 3,126,325</u>

### Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2012, amounted to \$498,299.

### Supplemental Employment Retirement Plan

The District entered into an agreement for a supplemental retirement benefits plan for certain certificated and classified employees of the District. Eligibility requirements are that employees must have 10 years of service with the District, a minimum of three consecutive years prior to retirement, and must be 55 years of age. The agreement called for the District to make five equal installment payments into an annuity contract for the employees. At June 30, 2012, the District has an outstanding balance of \$3,006,793.

Year Ending June 30,	Total
2013	\$ 2,218,881
2014	787,912
Total	<u>\$ 3,006,793</u>

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$12,756,060, and contributions made by the District during the year were \$8,932,787. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,439,577 and \$(1,857,226), respectively, which resulted in an increase to the net OPEB obligation of \$3,405,624. As of June 30, 2012, the net OPEB obligation was \$32,197,159. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **NOTE 11 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$11,475,000 as of June 30, 2012, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 170,000	\$ -	\$ 965	\$ 170,965
Stores inventories	1,004,750	-	233,685	1,238,435
Total Nonspendable	1,174,750	-	234,650	1,409,400
<b>Restricted</b>				
Legally restricted programs	9,232,382	-	72,285	9,304,667
Cafeteria program	-	-	18,758,383	18,758,383
Capital projects	-	101,619,896	29,320,568	130,940,464
Debt services	-	-	21,571,887	21,571,887
Total Restricted	9,232,382	101,619,896	69,723,123	180,575,401
<b>Committed</b>				
Deferred maintenance program	-	-	339,318	339,318
Capital projects	-	-	1,137,481	1,137,481
Total Committed	-	-	1,476,799	1,476,799
<b>Assigned</b>				
Restoration cuts	17,175,741	-	-	17,175,741
Mid-year budget reductions	24,075,630	-	-	24,075,630
Site program balances	3,120,716	-	-	3,120,716
Other program balances	6,010,494	-	1,115,184	7,125,678
Total Assigned	50,382,581	-	1,115,184	51,497,765
<b>Unassigned</b>				
Reserve for economic uncertainties	9,824,926	-	-	9,824,926
Remaining unassigned	13,636,094	-	-	13,636,094
Total Unassigned	23,461,020	-	-	23,461,020
<b>Total</b>	<b>\$ 84,250,733</b>	<b>\$ 101,619,896</b>	<b>\$ 72,549,756</b>	<b>\$ 258,420,385</b>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santa Ana Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 944 retirees and beneficiaries currently receiving benefits and 4,236 active plan members.

#### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed \$8,932,787 to the Plan, all of which was used for current premiums (approximately 100 percent of total premiums).

#### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 12,756,060
Interest on net OPEB obligation	1,439,577
Adjustment to annual required contribution	(1,857,226)
Annual OPEB cost (expense)	<u>12,338,411</u>
Contributions made	(8,932,787)
Increase in net OPEB obligation	<u>3,405,624</u>
Net OPEB obligation, beginning of year	28,791,535
Net OPEB obligation, end of year	<u><u>\$ 32,197,159</u></u>



# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 12,974,476	\$ 9,503,038	73%	\$ 22,286,251
2011	12,997,457	6,492,173	50%	28,791,535
2012	12,338,411	8,932,787	72%	32,197,159

### Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ -	\$ 120,452,385	\$ 120,452,385	0%	\$ 302,273,808	40%

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

### Actuarial Methods and Assumptions

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

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In the July 1, 2011, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation.

### NOTE 14 - RISK MANAGEMENT

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a \$1 million self-insured retention (SIR), and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to \$5 million. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 17 for additional information relating to public entity risk pools.

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

#### Claims Liabilities

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

#### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2010	\$ 19,519,873	\$ 1,010,485
Claims and changes in estimates	6,705,209	147,803
Claims payments	(4,354,931)	(547,336)
Liability Balance, June 30, 2011	21,870,151	610,952
Claims and changes in estimates	(621,249)	342,241
Claims payments	(3,032,031)	(624,301)
Liability Balance, June 30, 2012	\$ 18,216,871	\$ 328,892
Assets available to pay claims at June 30, 2012	\$ 33,149,104	\$ 342,927

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **CalSTRS**

##### **Plan Description**

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

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$19,189,341, \$19,342,606, and \$18,018,459, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

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

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$7,605,222, \$7,105,049, and \$6,318,022, respectively, and equal 100 percent of the required contributions for each year.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$11,295,005 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## **NOTE 16 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
<b>Overcrowded Relief Program</b>		
Davis Elementary	\$ 4,899,397	08/31/12
Edison Elementary	9,693,807	08/31/12
Century High	22,035,087	12/31/12
Santa Ana High	20,709,921	10/31/12
Franklin Elementary	416,891	07/31/13
Garfield Elementary	862,036	07/31/13
King Elementary	378,890	07/31/13
Wilson Elementary	178,550	07/31/13
<b>Modernization Projects</b>		
Santa Ana High	24,039,386	08/31/12
Wilson Elementary	5,143,435	08/31/12
Franklin Elementary	1,494,619	10/31/12
Jefferson Elementary	2,865,292	10/31/12
Lowell Elementary	3,569,379	10/31/12
Martin Elementary	1,496,891	10/31/12
Muir Fundamental	1,709,539	10/31/12
Remington Elementary	3,289,044	10/31/12
Taft Elementary	2,090,691	10/31/12
Carr Intermediate	5,106,863	07/31/13
Diamond Elementary	459,301	07/31/13
Edison Elementary	2,105,485	07/31/13
Fremont Elementary	2,220,633	07/31/13
Greenville Fundamental	2,919,622	07/31/13
Lathrop Intermediate	3,765,989	07/31/13
Monroe Elementary	2,303,990	07/31/13
Sierra Intermediate	2,188,062	07/31/13
Spurgeon Intermediate	8,309,355	07/31/13
Willard Intermediate	387,481	07/31/13
<b>Emergency Repair Program</b>		
Santa Ana High - electrical system	2,874,676	08/31/12
Santa Ana High - fire alarm system	1,115,213	08/31/12
Santa Ana High - public announcer system	711,237	10/31/12
Santa Ana High - paving	19,671	07/31/13
<b>Critically Overcrowded Schools</b>		
Mitchell Child Development Center	1,035,768	07/31/13
	<u>\$ 140,396,201</u>	

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS**

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entity for its property and liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2012, the District made payments of \$1,765,718 and \$164,914 to ASCIP and SELF, respectively for property and liability coverage.

### **NOTE 18 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

### **NOTE 19 - SUBSEQUENT EVENTS**

On September 19, 2012, the District issued \$19,720,000 in current interest general obligation bonds. The bonds were issued for the purpose of refunding \$19,050,000 of the outstanding general obligation bonds pertaining to the Election of 1999, Series 2002. The bonds have a final maturity date to occur on August 1, 2032 and yield interest rates ranging between .300 to 3.400 percent.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# SANTA ANA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
<b>REVENUES</b>				
Revenue limit sources	\$ 278,265,078	\$ 275,637,040	\$ 277,131,858	\$ 1,494,818
Federal sources	64,805,849	79,253,321	75,775,555	(3,477,766)
Other State sources	107,042,851	112,790,881	124,109,255	11,318,374
Other local sources	7,716,871	10,112,830	9,462,286	(650,544)
<b>Total Revenues <sup>1</sup></b>	<b>457,830,649</b>	<b>477,794,072</b>	<b>486,478,954</b>	<b>8,684,882</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	239,122,728	243,068,922	240,686,981	2,381,941
Classified salaries	64,570,848	65,476,238	65,906,846	(430,608)
Employee benefits	104,225,396	104,078,858	111,995,469	(7,916,611)
Books and supplies	16,283,344	19,606,407	18,772,947	833,460
Services and operating expenditures	52,432,288	55,751,215	54,130,407	1,620,808
Other outgo	3,031,133	2,496,597	2,043,205	453,392
Capital outlay	456,572	1,439,063	964,768	474,295
Debt service - principal	707,922	1,211,417	1,308,315	(96,898)
Debt service - interest	155,485	155,485	286,601	(131,116)
<b>Total Expenditures <sup>1</sup></b>	<b>480,985,716</b>	<b>493,284,202</b>	<b>496,095,539</b>	<b>(2,811,337)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(23,155,067)</b>	<b>(15,490,130)</b>	<b>(9,616,585)</b>	<b>5,873,545</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(5,517,755)	(6,445,735)	(6,445,735)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(28,672,822)</b>	<b>(21,935,865)</b>	<b>(16,062,320)</b>	<b>5,873,545</b>
<b>Fund Balances - Beginning</b>	<b>100,313,053</b>	<b>100,313,053</b>	<b>100,313,053</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 71,640,231</b>	<b>\$ 78,377,188</b>	<b>\$ 84,250,733</b>	<b>\$ 5,873,545</b>

<sup>1</sup> On behalf payments of \$11,295,005 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2012**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
July 1, 2007	\$ -	\$ 139,206,929	\$ 139,206,929	0%	\$ 303,340,280	46%
July 1, 2011	-	120,452,385	120,452,385	0%	302,273,808	40%

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***SUPPLEMENTARY INFORMATION***

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# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Education Jobs Fund	84.410	25152	\$ 7,862,523
Fund for the Improvement of Education - Fitness for All Readiness and Emergency Management for Schools Discretionary Grant Program	84.215F	[1]	119,106
No Child Left Behind Act (NCLB)	84.184E	[1]	516,609
Title I, Part A Cluster:			
Title I, Part A - Low Income and Neglected	84.010	14329	18,870,164
ARRA: Title I, Part A - Low Income and Neglected	84.389	15005	1,618,111
Total Title I, Part A Cluster			<u>20,488,275</u>
Title I, Part B - Reading First	84.357A	14328	142,257
Title I, Part C Cluster:			
Title I, Part C - Even Start Migrant Education (MEES)	84.011	14768	38,279
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	284,044
Total Title I, Part C Cluster			<u>322,323</u>
School Improvement Grants Cluster:			
Title I - School Improvement Grant for QEIA Schools	84.377	14971, 15123, 15124, 15127	584,297
ARRA Title I - School Improvement Grant for QEIA Schools	84.388	15124, 15127	13,172,727
Total School Improvement Grants Cluster			<u>13,757,024</u>
Title II, Part A Cluster:			
Title II, Part A - Improving Teacher Quality	84.367	14341	3,547,145
Title II, Part A - Administrator Training	84.367	14344	27,453
Total Title II, Part A Cluster			<u>3,574,598</u>
Education Technology State Grants Cluster:			
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14334	102,299
ARRA Title II, Part D - Enhancing Education Through Technology Competitive Grant	84.386	15019	55,430
ARRA Title II, Part D - Enhancing Education Through Technology Competitive Grants	84.386	15126	408,965
Total Education Technology State Grants Cluster			<u>566,694</u>
Title III - Limited English Proficient Student Program	84.365	10084	3,089,350
Title IV, Part A - Drug-Free Schools Formula Grant	84.186	14347	24,101
Title IV, Part B, 21st Century Community Learning Centers	84.287	14788	3,809,810
After School Partnerships Demonstration Program	84.278N	[1]	79,396

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
Title X - McKinney-Vento Homeless Assistance	84.196A	14332	\$ 126,699
Special Education Cluster (IDEA):			
Local Assistance	84.027A	13379	9,821,601
ARRA: Local Assistance	84.391	15003	105,105
Preschool Local Entitlement	84.027A	13682	803,680
Federal Preschool	84.173A	13430	359,020
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	164,469
Pre-Kindergarten Staff Development	84.173A	13431	3,119
Alternative Dispute Resolution, Part B, Sec 611	84.027	13007	4,639
Total Special Education Cluster (IDEA)			<u>11,261,633</u>
Passed through CDE:			
Early Intervention Grants	84.181	23761	282,678
Carl D. Perkins Vocational and Technical Education Act			
Secondary Education	84.048	13924	433,893
Passed through Central County Regional Occupancy Program:			
Carl D. Perkins Vocational and Technical Education Act			
Post Secondary and Adult Education	84.048	13923	35,214
Passed through Rancho Santiago Community College District:			
California State Gear-Up Program	84.334A	10088	414,577
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	234,175
Total U.S. Department of Education			<u>67,140,935</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	19,214,786
Especially Needy Breakfast Program	10.553	13390	4,276,617
Meal Supplements	10.555	13666	924,570
Commodities	10.555	13389	1,321,465
Seamless Summer Feeding Program	10.559	13004	1,036,110
Total Child Nutrition Cluster			<u>26,773,548</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	1,210,720
Child Nutrition: Team Nutrition Grants	10.574	02151	709,401
Child Care Food	10.558	13393	586,727
Total U.S. Department of Agriculture			<u>29,280,396</u>

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Assistance Program:			
Medical Billing Option	93.778	10013	\$ 2,142,845
Medical Administrative Activities	93.778	10060	972,137
Total Medical Assistance Program			<u>3,114,982</u>
Early Retiree Reinsurance Program	93.546	[1]	715,845
Passed through CDE:			
Head Start	93.600	10016	3,244,114
Total U.S. Department of Health and Human Services			<u>7,074,941</u>
NATIONAL SCIENCE FOUNDATION			
Passed through Regents of the University of California, Irvine:			
Faculty Outreach Collaborations Uniting Scientists, Students, and Schools (FOCUS)	47.076	[1]	172,968
U.S. DEPARTMENT OF JUSTICE			
COPS Secure our Schools	16.710	[1]	36,984
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	190,262
Total Expenditures of Federal Awards			<u><u>\$103,896,486</u></u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

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### ORGANIZATION

The Santa Ana Unified School District was organized in 1888, and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rob Richardson	President	2012
José Alfredo Hernández, J.D.	Vice President	2012
Audrey Yamagata-Noji, Ph.D.	Clerk	2014
John Palacio	Member	2014
Roman A. Reyna	Member	2012

### ADMINISTRATION

Thelma Meléndez de Santa Ana, Ph.D.	Superintendent
Cathie Olsky, Ed.D.	Deputy Superintendent
Michael P. Bishop, Sr.	Deputy Superintendent, Operations
Herman Mendez	Assistant Superintendent, Elementary Education
Dawn Miller	Assistant Superintendent, Secondary Education
Doreen Lohnes	Assistant Superintendent, Support Services
Joe Dixon	Assistant Superintendent, Facilities/Governmental Relations
Chad Hammitt	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.



# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2012

		Final Report	
		Amended Second Period Report	Annual Report
ELEMENTARY			
Kindergarten		4,319	4,320
First through third		12,597	12,586
Fourth through sixth		11,558	11,546
Seventh and eighth		7,198	7,197
Home and hospital		8	7
Special education		1,431	1,437
Community day schools		84	70
Total Elementary		37,195	37,163
SECONDARY			
Regular classes		13,243	13,105
Continuation education		567	557
Home and hospital		20	22
Special education		724	716
Community day schools		38	45
Total Secondary		14,592	14,445
Total K-12		51,787	51,608

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced	1986-87	Reduced	2011-12	Number of Days		Status
	Actual Minutes	1982-83 Actual Minutes	Minutes Requirement	1986-87 Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	29,568	36,000	33,600	35,260	180	-	Complied
Grades 1 - 3	42,240	39,424	50,400	47,040				
Grade 1					50,100	180	-	Complied
Grade 2					50,100	180	-	Complied
Grade 3					50,100	180	-	Complied
Grades 4 - 6	52,800	49,280	54,000	50,400				
Grade 4					54,110	180	-	Complied
Grade 5					54,110	180	-	Complied
Grade 6					54,110	180	-	Complied
Grades 7 - 8	52,800	49,280	54,000	50,400				
Grade 7					58,060	180	-	Complied
Grade 8					58,060	180	-	Complied
Grades 9 - 12	62,128	57,986	64,800	60,480				
Grade 9					64,800	180	-	Complied
Grade 10					64,800	180	-	Complied
Grade 11					64,800	180	-	Complied
Grade 12					64,800	180	-	Complied

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 <sup>1</sup>	2012	2011	2010
GENERAL FUND <sup>4</sup>				
Revenues	\$ 451,484,544	\$ 486,418,636	\$ 489,402,972	\$ 476,720,913
Other sources	13,632,276	-	-	6,427,597
Total Revenues and Other Sources	465,116,820	486,418,636	489,402,972	483,148,510
Expenditures	476,837,036	496,095,539	490,853,963	460,578,560
Other uses and transfers out	6,100,718	6,445,735	5,653,082	10,528,396
Total Expenditures and Other Uses	482,937,754	502,541,274	496,507,045	471,106,956
INCREASE (DECREASE) IN FUND BALANCE	\$ (17,820,934)	\$ (16,122,638)	\$ (7,104,073)	\$ 12,041,554
ENDING FUND BALANCE	\$ 52,793,706	\$ 70,614,640	\$ 86,737,278	\$ 93,841,351
AVAILABLE RESERVES <sup>2</sup>	\$ 9,658,755	\$ 23,461,020	\$ 47,669,766	\$ 46,084,727
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	2.00%	4.78%	9.80%	9.99%
LONG-TERM OBLIGATIONS	N/A	\$ 463,043,862	\$ 470,619,198	\$ 420,753,471
K-12 AVERAGE DAILY ATTENDANCE AT P-2	51,089	51,787	51,751	52,064

The General Fund balance has decreased by \$23,226,711 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of \$17,820,934 (25.2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by \$42,290,391 over the past two years.

Average daily attendance has decreased by 277 over the past two years. An additional decline of 698 ADA is anticipated during fiscal year 2012-2013.

<sup>1</sup> Budget 2013 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$11,295,005, \$10,004,146, and \$9,610,605 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve other Than Capital Outlay Projects, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2012**

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

See accompanying note to supplementary information.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
<b>ASSETS</b>				
Deposits and investments	\$ 594,284	\$ 15,704,757	\$ 468,597	\$ 31,236,612
Receivables	112,381	7,642,262	364	1,106,194
Due from other funds	22,703	74,825	2,683	1,336,775
Stores inventories	-	233,685	-	-
<b>Total Assets</b>	<b>\$ 729,368</b>	<b>\$ 23,655,529</b>	<b>\$ 471,644</b>	<b>\$ 33,679,581</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 52,689	\$ 2,216,687	\$ 98,051	\$ 7,288,027
Due to other funds	604,394	2,445,809	34,275	158,568
<b>Total Liabilities</b>	<b>657,083</b>	<b>4,662,496</b>	<b>132,326</b>	<b>7,446,595</b>
<b>Fund Balances:</b>				
Nonspendable	-	234,650	-	-
Restricted	72,285	18,758,383	-	26,232,986
Committed	-	-	339,318	-
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<b>72,285</b>	<b>18,993,033</b>	<b>339,318</b>	<b>26,232,986</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 729,368</b>	<b>\$ 23,655,529</b>	<b>\$ 471,644</b>	<b>\$ 33,679,581</b>

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 2,644,944	\$ 71,488	\$ 1,190,294	\$ 14,079,532	\$ 7,486,259	\$ 73,476,767
963	965,430	125	6,096	-	9,833,815
1,023,617	91,308	-	-	-	2,551,911
-	-	-	-	-	233,685
<u>\$ 3,669,524</u>	<u>\$ 1,128,226</u>	<u>\$ 1,190,419</u>	<u>\$ 14,085,628</u>	<u>\$ 7,486,259</u>	<u>\$ 86,096,178</u>
\$ 524,803	\$ 13,042	\$ 32,075	\$ -	\$ -	\$ 10,225,374
57,139	-	20,863	-	-	3,321,048
<u>581,942</u>	<u>13,042</u>	<u>52,938</u>	<u>-</u>	<u>-</u>	<u>13,546,422</u>
-	-	-	-	-	234,650
3,087,582	-	-	14,085,628	7,486,259	69,723,123
-	-	1,137,481	-	-	1,476,799
-	1,115,184	-	-	-	1,115,184
<u>3,087,582</u>	<u>1,115,184</u>	<u>1,137,481</u>	<u>14,085,628</u>	<u>7,486,259</u>	<u>72,549,756</u>
<u>\$ 3,669,524</u>	<u>\$ 1,128,226</u>	<u>\$ 1,190,419</u>	<u>\$ 14,085,628</u>	<u>\$ 7,486,259</u>	<u>\$ 86,096,178</u>

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
<b>REVENUES</b>				
Federal sources	\$ -	\$ 27,360,274	\$ -	\$ -
Other State sources	1,462,461	2,293,776	-	-
Other local sources	3,668	2,853,773	3,705	1,163,016
<b>Total Revenues</b>	<u>1,466,129</u>	<u>32,507,823</u>	<u>3,705</u>	<u>1,163,016</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,017,215	-	-	-
Instruction-related activities:				
Supervision of instruction	200,590	-	-	-
School site administration	84,297	-	-	-
Pupil services:				
Food services	-	27,470,882	-	-
All other pupil services	127,401	-	-	-
Administration:				
All other administration	52,152	966,390	-	-
Plant services	-	956,066	1,655,449	55,204
Facility acquisition and construction	-	16,373	-	51,603,490
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>1,481,655</u>	<u>29,409,711</u>	<u>1,655,449</u>	<u>51,658,694</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>(15,526)</u>	<u>3,098,112</u>	<u>(1,651,744)</u>	<u>(50,495,678)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,882,711	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>(15,526)</u>	<u>3,098,112</u>	<u>230,967</u>	<u>(50,495,678)</u>
<b>Fund Balances - Beginning</b>	<u>87,811</u>	<u>15,894,921</u>	<u>108,351</u>	<u>76,728,664</u>
<b>Fund Balances - Ending</b>	<u>\$ 72,285</u>	<u>\$ 18,993,033</u>	<u>\$ 339,318</u>	<u>\$ 26,232,986</u>

See accompanying note to supplementary information.



Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,624,142	\$ -	\$ 28,984,416
-	-	-	92,792	-	3,849,029
2,595,123	972,517	128,416	17,402,663	258,247	25,381,128
2,595,123	972,517	128,416	19,119,597	258,247	58,214,573
-	-	-	-	-	1,017,215
-	-	-	-	-	200,590
-	-	-	-	-	84,297
-	-	-	-	-	27,470,882
-	-	-	-	-	127,401
17,415	-	-	-	-	1,035,957
105,149	1,039,034	860	-	-	3,811,762
728,136	103,329	1,147,711	-	-	53,599,039
-	-	-	10,020,000	2,020,000	12,040,000
-	-	-	11,539,926	1,431,996	12,971,922
850,700	1,142,363	1,148,571	21,559,926	3,451,996	112,359,065
1,744,423	(169,846)	(1,020,155)	(2,440,329)	(3,193,749)	(54,144,492)
-	-	-	-	3,847,179	5,729,890
1,744,423	(169,846)	(1,020,155)	(2,440,329)	653,430	(48,414,602)
1,343,159	1,285,030	2,157,636	16,525,957	6,832,829	120,964,358
\$ 3,087,582	\$ 1,115,184	\$ 1,137,481	\$ 14,085,628	\$ 7,486,259	\$ 72,549,756

# SANTA ANA UNIFIED SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

(Amounts in thousands)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 75,775	15.6	\$ 79,805	16.3	\$ 70,876	14.9
State and local revenue included in revenue limit	277,132	57.0	275,188	56.2	265,392	55.6
Other State revenue	124,109	25.5	124,821	25.5	130,590	27.4
Other local revenue	5,434	1.1	5,815	1.2	6,219	1.3
Tuition and transfers in	3,969	0.8	3,774	0.8	3,644	0.8
Total Revenues	<u>486,419</u>	<u>100.0</u>	<u>489,403</u>	<u>100.0</u>	<u>476,721</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	240,687	49.5	239,305	48.9	233,726	49.0
Classified salaries	65,907	13.5	63,154	12.9	60,520	12.7
Employee benefits	111,995	23.0	108,797	22.2	96,920	20.3
Total Salaries and Benefits	<u>418,589</u>	<u>86.0</u>	<u>411,256</u>	<u>84.0</u>	<u>391,166</u>	<u>82.0</u>
Books and supplies	18,773	3.8	22,818	4.6	15,831	3.3
Contracts and operating expenses	54,130	11.1	51,676	10.6	50,137	10.5
Capital outlay	965	0.2	1,291	0.3	467	0.0
Other outgo	3,638	0.7	3,813	0.8	2,978	0.6
Total Expenditures	<u>496,095</u>	<u>101.8</u>	<u>490,854</u>	<u>100.3</u>	<u>460,579</u>	<u>96.4</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,676)</u>	<u>(1.8)</u>	<u>(1,451)</u>	<u>(0.3)</u>	<u>16,142</u>	<u>3.6</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(6,446)	(1.3)	(5,653)	(1.2)	(9,129)	(2.0)
Other sources	-	-	-	-	5,028	1.1
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>(16,122)</u>	<u>(3.1)</u>	<u>(7,104)</u>	<u>(1.5)</u>	<u>12,041</u>	<u>2.7</u>
<b>FUND BALANCE, BEGINNING</b>	<u>86,737</u>		<u>93,841</u>		<u>81,800</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$ 70,615</u>		<u>\$ 86,737</u>		<u>\$ 93,841</u>	

See accompanying note to supplementary information.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds and Build America Bonds that have been recorded in the current period as revenues that had not been expended as of June 30, 2012. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 104,759,971
Medi-Cal Billing Option	93.778	760,657
Build America Bonds	[1]	(1,624,142)
Total Schedule of Expenditures of Federal Awards		<u>\$ 103,896,486</u>

[1] Pass-Through Entity Identifying Number not available

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012**

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

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

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

### **General Fund Selected Financial Information**

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

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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Santa Ana Unified School District  
Santa Ana, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District as of and for the year ended June 30, 2012, which collectively comprise Santa Ana Unified School District's basic financial statements and have issued our report thereon dated December 4, 2012. 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.

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

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Santa Ana Unified School District in a separate letter dated December 4, 2012.

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

VANZUREK, TRINE, DAY & CO, LLP

Rancho Cucamonga, California  
December 4, 2012





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

Governing Board  
Santa Ana Unified School District  
Santa Ana, California

**Compliance**

We have audited Santa Ana Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Ana Unified School District's major Federal programs for the year ended June 30, 2012. Santa Ana Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Santa Ana Unified School District's management. Our responsibility is to express an opinion on Santa Ana Unified School District's compliance based on our audit.

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

In our opinion, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

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

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

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

VNO RINEK, TRNS, INC. & CO. LLP

Rancho Cucamonga, California  
December 4, 2012



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Santa Ana Unified School District  
Santa Ana, California

We have audited Santa Ana Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012* applicable to Santa Ana Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Santa Ana Unified School District's management. Our responsibility is to express an opinion on Santa Ana Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Ana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Santa Ana Unified School District's compliance with those requirements.

In our opinion, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	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

	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
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
Districts or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Charter Schools:		
Contemporaneous records of attendance	3	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	4	Not applicable

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

VAD RIVER, TRIN. DAY + CO. LLP

Rancho Cucamonga, California  
December 4, 2012

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

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# SANTA ANA UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2012

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### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.377, 84.388 (ARRA)</u>	<u>School Improvement Grants Cluster (including ARRA)</u>
<u>84.287</u>	<u>Title IV, Part B, 21st Century Community Learning Centers</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>10.553, 10.555, 10.558, 10.559</u>	<u>Child Nutrition Program Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,116,895</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>
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**SANTA ANA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.



**SANTA ANA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

**SANTA ANA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

# SANTA ANA UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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

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

**2011-1 50000**

Title I, Part A; CFDA: 84.010 and 84.389 (ARRA)  
Title I, School Improvement Grant; CFDA: 84.377 and 84.388 (ARRA)  
Title II, Part D; CFDA: 84.318 and 84.386 (ARRA)  
Pass-Through Agency: California Department of Education  
Federal Agency: U.S. Department of Education; U.S. Department of Health and Human Services

### **Criteria or Specific Requirements**

Compliance Area: Procurement and Suspension and Debarment

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

### **Condition**

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

### **Questioned Costs**

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

### **Context**

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

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012**

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### **Effect**

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

### **Cause**

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

### **Recommendation**

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

### **Current Status**

Implemented.



Governing Board  
Santa Ana Unified School District  
Santa Ana, California

In planning and performing our audit of the basic financial statements of Santa Ana Unified School District for the year ending June 30, 2012, we considered its internal control structure in order to determine out auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2012, on the basic financial statements of Santa Ana Unified School District.

#### ***ASSOCIATED STUDENT BODY***

##### ***Santa Ana High School***

#### **Observations**

During the review of the internal controls, we noted the following issues:

- We noted five deposits were made during the test month for cash receipts, out of which four deposits were not made in a timely manner. The time frame for these deposits was up to 25 days.
- A master ticket log is not being utilized to account for all tickets on hand and used during the year. The site does not log all ticket rolls on the master ticket log.
- For the month tested, the bank reconciliation was not prepared at the time of audit.

#### **Recommendations**

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. The site should log all ticket roll inventory, even if the rolls are not in use. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log.
- Bank reconciliations should be prepared in a timely manner to ensure that balances agree to recorded amounts for the month. This will allow the preparer to inquire of the respective personnel if there are any deficiencies.

***Lorin Grisct Academy High School***

**Observation**

During our review of the ASB procedures over cash receipts, we noted two of the four deposits made during the test month were not deposited in a timely manner. The time frame for these deposits was up to 18 days.

**Recommendation**

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

***McFadden Intermediate***

**Observations**

During our review of the ASB internal control procedures, we noted the following:

- A master ticket log is not being utilized to account for all tickets on hand and used during the year. A ticket sales report form is not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.
- Deposits are not being made in a timely manner. Deposits have been made up to 18 days after receiving the cash.
- Three of the eleven transactions reviewed did not have any supporting documentation (i.e. invoice, receiving documentation); however they were approved in the minutes.
- Many outstanding checks from 2009-2011 still have not been cleared.

**Recommendations**

- A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales report form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. A ticket sales report form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The report should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site Principal to make the deposits timely.

- All cash disbursements must have supporting documentation. A purchase request form must be present in order to ensure that the purchase was approved. An invoice must be present in order to ensure that the product was bought. Receiving documentation must be present in order to ensure that the site received the goods purchased. The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, "*Accounting and Procedures for Student Organizations*". The manual explains that three signatures, these including a District representative, a student representative and an advisor, are required pursuant to California Educational Code Section 48933(5) (b) on all disbursements from a student body account. The site was advised that they must improve their recordkeeping. In addition, all expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.
- Outstanding checks should usually be cleared within one month of being posted. Furthermore, a 'Stop Payment' should be put on all checks that have not been cleared within six months. Since some checks have not been cleared for two years, a 'Stop Payment' must be applied to the respective checks. The district was notified of this recommendation.

#### ***McArthur Fundamental Intermediate School***

##### **Observations**

During our review of associated student body procedures, the following issues were noted:

- Receipts of monies are not deposited in a timely manner. Based on testing, auditor noted that receipts of monies from the sale of PE clothes were deposited on a monthly basis.
- Physical count of inventory is not taken.
- The expenditures for one cash disbursement did not receive pre-approval in the ASB minutes. This could potentially lead to the spending in excess of available funds. Additionally, there is the potential of an unallowable expenditure of ASB funds.
- One cash disbursement did not have receiving documentation. The disbursement was a reimbursement for a teacher who had purchased clothing for the school choir.
- Two revenue potential forms for fundraisers did not receive pre-approval in the ASB minutes.
- A portion of the outstanding checks were dated back to 2009.

##### **Recommendations**

- At a minimum, the receipt of monies should be deposited on a weekly basis to reduce the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit.
- At a minimum, physical counts of inventory should be taken annually. It is encouraged for the sites to have quarterly counts of inventory. Physical counts of inventory help reconcile amounts reported in the system to actual amounts. This improves the accuracy of inventory levels and helps the site make efficient orders to restock inventory.
- In order to ensure proper internal controls over the ASB disbursements, the site should make certain that all disbursement transactions are pre-approved in the ASB minutes and authorized by administrative personnel. This would allow ASB and the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- To ensure proper internal controls over ASB disbursements, an individual aside from the purchaser should verify the receiving of all purchased items and document this verification.

Governing Board  
Santa Ana Unified School District

- In order to ensure proper internal controls over the ASB disbursements, the site should make certain that all disbursement transactions are pre-approved in the ASB minutes and authorized by administrative personnel. This would allow ASB and the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- As a good business practice, outstanding checks should be cleared within six months. If they are not, procedures should be in place to investigate the outstanding checks. This will improve reconciliation and accuracy of funds.

***Segerstrom High School***

**Observations**

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

- Deposits are not being made timely. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the cash.
- Daily sales forms are not being prepared to document cash collected vs. items sold at the student store.

**Recommendations**

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- All daily sales forms must be completely filled out at the end of each items sold at the student store. The daily sales form is important because it shows the items sold and the money that was turned in actually was based on the price of the item and number sold. This information is necessary to analyze sales activity and to determine if merchandise has been lost or stolen.

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

VAJRINSK, TRINE, DM + W. LD

Rancho Cucamonga, California  
December 4, 2012